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# ***JPRS Report***

# **Latin America**

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# Latin America

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**Columnist Lupa on Soviet Increased Presence via New Accords**

33480081b Buenos Aires LA PRENSA in Spanish  
16 Feb 88 pp 1, 4

[Commentary by Daniel Lupa: "Steady Gains by the Soviets"]

[Text] The accords signed with the Soviets in November 1986 by Foreign Minister Caputo (obviously with the prior consent of President Alfonsin) have meant that since then Moscow has had available formidable facilities to penetrate Argentine cultural and grassroots circles with a seal of legitimacy granted by the State itself, as well as facilities arising from the most extensive publicity network in the government's hands. Informally, Moscow already had access to it through its apparatus for local political penetration.

At the same time, however, the accords facilitated and legitimized an organizational presence for the Soviets on the continent's southern shores for the first time in history. Their presence was brought about to resolve the problems arising from London's possession of the Malvinas, in spite of the apparent, well thought out and cautious rapprochement with Great Britain. Suffice it to remember that no sooner had Argentina granted fishing concessions to the Soviets than the British unhesitatingly imposed a restrictive limit on fishing that they had not authorized, and that as soon as the Soviets made their moves in the zone, the British went so far as to conduct military maneuvers in the archipelago.

The one obviously does not justify the other, but "just in case" seems to have been the reasoning in London. Thus, the gains in sovereignty over the islands that Great Britain has been making could well have to do with this tender relationship between the Alfonsin administration and the Soviet tyranny. A tender relationship based at that point on the dissuasive argument that friendly relations with the Soviets would enable Argentina to secure Moscow's forthright support for Argentine sovereignty over the archipelago and, in passing, commit a great power to the protection of its own interests. The "enticing pendulum" or "countervailing influences" policy was thought up and implemented quite some time ago by the Nasser tyranny in Egypt and turned out to be a failure. And in time the Argentine arguments to justify a pro-Soviet stance and the always authoritarian temptation of Foreign Minister Caputo's international contacts (Cuba and Nicaragua are two glaring examples) were found wanting when the Soviets decided to recognize British sovereignty in the islands by promising to rent a wharf at a southern port in the Malvinas for unloading the fish that they caught in Argentine waters and even in British territorial zones.

Every international move by the Alfonsin administration seems to involve a mistake in dealing with the Malvinas issue. For example, as the president was conversing amiably with the prime minister of the Spanish

Government, Mr Felipe Gonzalez, the same Spanish Government was issuing certificates to Spanish fishing companies so that that very day in London they could sign accords to fish in the exclusion zone, thus recognizing not only British sovereignty in the region but also their authority to arbitrarily declare a ban on fishing without prior authorization from London.

**Gaining a Foothold in the South**

Not only have the Soviets been able to bring into Argentina hundreds of "cultural," commercial, "scientific" or "mass training" teams since March 1986, but Soviet vessels have dropped anchor in the region without the slightest hint of concern on the part of the Alfonsin administration. Anyone can see the Soviet ships in Buenos Aires harbor, and anyone in the know can make out towers and turrets that have nothing to do with navigation or fishing or commercial transport. Communications, observation and other unexplainable final purposes besides these are clearly outlined in the commentaries that have been made on the design of these vessels. In this same column in the third quarter of last year, LA PRENSA noted the presence of military trucks on the gangplank of a general-cargo ship anchored at the dock in Puerto Madryn (the dock that Aluar uses to load its aluminum pellets for export). No one was able to explain what the trucks were for or even if the port authorities had bothered to find out whether such trucks, which are there for a reason and presuppose a military crew trained to use them, could legitimately be justified in a commercial port under Argentine sovereignty.

None of this seems strange, and when this same column informed the public that the Soviets were preparing to build accesses to the harbors of Bahia Blanca and that, in passing, they were placing their own troops on the Atlantic coast so that they could have their own base of operations, the Foreign Ministry quietly tried to deny it, availing itself of "more than friendly media" that explained the matter away.

Now, the most official medium imaginable has reported that the Soviets have been granted the contract to construct the expansion projects and do the dredging at the port of Bahia Blanca, though no competitive bidding or prior market study was conducted; it was all "direct contracting." The enterprise Technostroyesport, which LA PRENSA mentioned in this column more than a year ago as the direct, silent contractor chosen in the negotiations conducted in Moscow, will now officially be in charge of the construction project. For 3 1/2 years the Soviets will have unlimited opportunities to circulate without restrictions along the southern coast with an excellent cover for their intentions.

At the same time, however, as LA PRENSA predicted more than a year and a half ago, the USSR is now officially requesting a "base of operations for fishing vessels." The USSR already has one near the area between Puerto Deseado and Rio Gallegos, and the

movements of "seamen" there are not in keeping with the frequency of parts replacements that oceangoing fishing vessels need. Will this one be dismantled or will it be legalized, inasmuch as its existence has not been legally acknowledged? Besides monitoring the waters around the port of Bahia Blanca and setting up the requested "naval base" there or somewhere else to be agreed upon, the USSR is now engaged in another extraordinary effort. The Russians, in a word, will be building what could be a "deep-water port" in the immediate proximity of the Argentine oceangoing fleet's Puerto Belgrano. Such a "deep-water port" could harbor deep-draft vessels such as the ambitious Soviet warships and may have as a cover a "base of operations" for fishing outfitted with unusual communications and specialized aid facilities. By the way, it will be located at the very threshold of where the two oceans meet. Is the Foreign Ministry's international strategy seeking to transfer the "cold war" or the dispute between the powers to the shores of the southern Atlantic, while siding with the authoritarian regime as the supporters of Nazism and Fascism in Argentina, among them Juan Peron, did in the early 1940's?

#### An Elegant Colonel

The Soviet strategy of making Argentina swing from option to option in the conflict in the extreme south does not seem unrelated to the activities that more than a few political observers, including distinguished lawmakers, and military observers have detected in the goings-on of Soviet Air Force Col Valentin Lyachenko, the air force attache at the Soviet Embassy in Argentina.

Colonel Lyachenko, always accompanied by his beautiful, elegant wife, speaks Spanish almost like a native Latin American and dresses in the finest Western fashion, displaying an affected swagger and wearing high-quality cashmeres. Argentine experts in air force matters would readily assume that this affable and distinguished officer has had combat and command experience (his comments and observations about his flight experience suggest as much, unless he has just studied this field thoroughly to simulate firsthand knowledge). This "combat" officer is still young enough to be on active duty, however. Yet he has been assigned to diplomatic activity. Hence, there could well be some truth to the observation heard in legislative circles that his function is quite confidential and has aims other than firing from a combat aircraft and that his job could be to gather intelligence or to penetrate with greater firepower, of course, than from just an airplane.

According to Latin American diplomatic experts who may have met him in other countries (along with his curiosity and concerns) and who have done some checking, he spent some time in Havana, as is required for almost all Soviet military personnel who come to Latin America, before arriving in Buenos Aires. Is this why he

and his wife speak such perfect Spanish, because if one did not know better, one could mistake them for Argentines or natives of any country in the Southern Cone?

Nonetheless, their conversations are strikingly different from those that diplomats from any of these areas might engage in. Their regular contacts are with Armed Forces officers. At cocktail parties and at personal, always individual and "almost family" get-togethers, the couple (the Soviet military officer, in particular) steers the talk towards the issue of the Malvinas.

"What weaponry do Argentine officers feel would be indispensable to undertaking a suitable confrontation aimed at regaining the Malvinas archipelago?"

This question often follows almost automatically, immediately or soon after an inquiry as to what weaponry, in general, the Argentine Armed Forces would require for their "normal" operations and after mention of the wideranging catalog of weapons that are available in the Soviet arsenal.

And here is another no less frequent and leading question: What do Argentine officers think about "perestroika" and "glasnost"? This is generally followed by reams of literature, in Spanish, explaining these policies, as well as carefully selected examples of the reactions of certain Latin American military officers (almost all of them retired) to the virtues of Gorbachev's policies. Many of these opinions are even seasoned with the views of certain American politicians on the same subject, all of them, oddly enough, voiced prior to Gorbachev's visit to the United States, perhaps because once they got to know the Soviet tyrant, their conclusion was that "nothing has changed in Moscow."

The "pincer" movement consisting of a foothold in the extreme south, followed by an attempt to coordinate policies vis-a-vis the "common enemy" of NATO and to stir up the issue of the need for rearmament to "reconquer" the islands, seems to be in keeping with a well-planned conflict strategy. Will the Argentine Foreign Ministry do nothing? Will it perhaps even be able to do anything after taking such severe and telling steps regarding the Soviet foothold in Argentine territory? Will our legislators ever seriously address the economic, "cultural," "athletic," military and psychological activities of the Soviets in Argentine territory?

8743

**Internal Divisions Within Radical Left Viewed**  
33480081a Buenos Aires LA PRENSA in Spanish  
19 Feb 88 p 7

[Article by Carlos Manuel Acuna: "Is It True That Subversion Is Splitting Up?"]

[Text] Like other groups, but with a different approach and very different dynamics, the various factions of the most advanced Left are experiencing internal struggles

and confrontations between leaders. They are also manifesting subtle ideological differences on the theoretical level but also over the practical measures that they must take to occupy a larger political space and achieve better conditions for their activism.

During the recent military developments the fronts that represent these groups decided, at the request of the Communist Party (PC), to sign a document condemning these developments and calling for a rally that they hoped would be massive and something more than a repeat of the one in the Plaza de Mayo during Holy Week last year.

The first to respond affirmatively to this appeal and to sign the draft declaration were the PC, the Movement Toward Socialist (MAS), so-called "rank and file Peronism" (the title that the "Montoneros" almost always use), the "All for the Homeland Movement" of the ERP [People's Revolutionary Army] and the Intransigent Party. They were joined shortly thereafter by the Workers Party (PO), the Christian Democrats, the Maoist Liberation Party and delegates from Justicialism, who soon thereafter claimed that they had nothing to do with the matter. The initiative was not the success that its organizers had planned, especially when the military crisis came to an end, which prompted several of the participants to decide to wait and see how events would unfold.

This approach touched off a series of squabbles that did not amount to much, although they did prompt the various factions to hurl some quite sharp barbs at each other, almost all of them due to their differences of opinion over what tactical moves they ought to essay. In any case, it seems that there were no serious injuries, because the Central Committee of the Communist Party decided to continue with its strategy of creating a political and electoral front (the "Broad Front of Liberation" [FRAL]). The goal of this front is not yet all that clear, although as we indicated in a previous column, its aim is more to strengthen the various leftist factions, without excluding the subversive gangs, than to make an impossible good showing at the ballot box. In any event, the most important political development is the communist decision to prevent influential groups from expressing their views and using their clout in the political process to possibly alter the PC's strategic plans and projects.

This point bears emphasizing, of course, given that the Communist parties on the continent, in the Southern Cone in particular, have come out in favor of armed struggle. This partly explains their desired goal to retain control of the confrontation, but it also has to do with a broader need that is directly related to the diplomacy of the Soviet Union worldwide and its strategic projects.

This aspect of the problem is so obvious, and there are more than enough examples of how far the Soviet Union will go in this regard. For instance, there were times that it denounced its own guerrilla allies or sympathizers

when they adopted independent attitudes; such denunciations often enabled cells to be broken up, the growth of certain subversive organizations to be thwarted and chiefs who had become political nuisances to be liquidated. Hasn't it perhaps been remarked all too often that at Moscow's request Fidel Castro told the Bolivian Army Che Guevara's exact whereabouts?

In short, lest we stray from our main issue, we will say that the strong support that the formation of FRAL has been receiving for some time now, as a replacement for the unsuccessful FREPU, which played such a minor role at the recent elections, is a piece of information that ought to be borne in mind, above all because the guerrilla bands are not denying their political links with this front, which, by the way, the "PRT [Revolutionary Workers Party]-ERP" openly supports.

#### The Two Factions of the "ERP"

Consequently, we can predict that before too long MAS, PO, the "All for the Homeland Movement," the Communist Party, various branches of socialism and Christian Democracy, the Humanist Party (which has not yet taken a stand), the Party of the Shirtless Ones, the "Montoneros" of "rank and file Peronism," the Anti-Imperialist Popular Democratic Movement (MODEPA), which is directed by Carlos Tomas Ponce del Leon (who was an ERP militant in the 1970's) and the Revolutionary Workers Party itself will seek through FRAL to become the political instrument of all the leftist groups and to form what EL COMBATIENTE calls "the vanguard of the army of the masses."

An operation of such scope will obviously influence the strategy that the two populisms pursue, interested as they are in having the electoral backing of the apparatus of the PC and its offshoots. This, however, is a matter that is still up in the air; it depends on the evolution of the political arrangement (the formal and the implicit one) between Raul Alfonsin and Antonio Cafiero, who has not yet achieved an alliance with the Intransigent Party that his deputy governor, Luis Macaya, is working on for him. Therefore, it behooves us to wait before delving more deeply into an analysis of the issue, especially when Eduardo Angeloz' bid for the nomination is not yet a sure thing, a bid that will come against the strongly held wishes of the president of the republic and of the UCR [Radical Civic Union] himself and against the best or worse wishes of the Coordinating Board.

Meanwhile, there are many indications that the "ERP" is the subversive band that has most rapidly decided on its future steps and that most actively reorganized an operational structure that, although not yet a shadow of its former self, already has enough people to make itself felt.

Here too there are apparently opposing factions, though they engage in activities that are at times parallel and, other times, simultaneous. In practice, however, they

complement each other in a way that gives the lie to formal divisions, even though the political leadership of the ruling party regards the existence of the two factions as a success.

One of them, which identifies with the resolutions of the "Seventh Congress" that we have referred to on previous occasions, can be called "Leninist." It identifies most closely with the FRAL and, hence, with the Communist Party.

MODEPA, which was founded in 1984 by a group of brewery union leaders, is one of its facades; some of its leaders are Eduardo Hernandez, who is the secretary general; Mabel Martinez and F. Mamani, who are in charge of a bulletin called VAMOS. This faction publishes the old magazine EL COMBATIENTE monthly and is proving to have greater promotional resources. So much so that last year Dr Norberto Rey, the physician who died on 29 October and was buried with an Argentine flag and an "ERP" flag over him, appeared before the Electoral Court as the representative of the PRT, even though it is known as the political wing of the band. Rey placed its domicile on the fifth floor of 858 Suipacha. Oddly enough, the document, which was filed in the federal court of Dr Juan E. Fegoli (Preller being the clerk), requested legal status only in the metropolitan district, even though the ERP is also active in several provinces. This is a significant fact and presumably squares with the subversive tactic of always having political and legal structures in order to reap the benefits that accrue to political parties, in line with the pragmatic slogan of "taking advantage of democracy," which its combative and propaganda writings make no secret of.

#### The "Rupturistas"

The other ERP faction is more active and goes by the name "rupturistas." The biggest, and almost only, difference between it and the "Leninist" faction is that it openly advocates the "armed struggle" and a savage activism, so to speak.

Among its most prominent militants we should mention a certain Lazaro Martin Rodriguez, who was arrested late last July as he and other subversives were engaged in an intensive leaflet-distribution campaign outside factories around Greater Buenos Aires. A few weeks later, other activists from the gang were also arrested as they were carrying tens of thousands of the organization's pamphlets, and their direct connection with Rodriguez was established. According to the data that we have obtained, the name of the top figure in this faction is not known, and it is noteworthy that it does not have its own mouthpiece with the circulation of EL COMBATIENTE, which follows the lead of the "Seventh Congress." In any event, it is difficult to establish the differences between one group and the other, although no doubt Federal Judges Juan M. Ramos Padilla and Hugo del Pozzo will have more background information because they have heard both cases.

#### Worried About the Right

This being the case, we will put off for later our assessment of the tactical relations between the ERP and the "Montoneros" and the way in which the two organizations are linking up with the respective populisms. Before concluding, however, we must underscore a new element that emerges from the remarks that last September's issue of EL COMBATIENTE (No 343) makes on page 4 and that reflect the subversives' concern over what they call "the growth of some forces on the Right." A quick review of this and other writings highlights the fact that for the first time the Extreme Left is taking into account the political gains of the Center-Right and that for the first time as well, it relates this development to the electoral behavior of the "so-called undecided" sectors, that is to say, the silent majority that can tip the electoral scale, as it did on 6 September.

The eloquence of what we are commenting on is self-evident, and therefore today we will merely transcribe the publication's most salient paragraphs on the issue. "Has the Right grown?" the "ERP" asks, adding the following significant question: "Has the two-party system been strengthened?" It goes on to say that the two questions "represent other issues in the debate that the working-class camp ought to intensify," noting further: "The growth of the Right is, rather, the natural product of a realignment in which the conservative groups that belong to the multiclass parties, not confident of their chances to retain control of their rank and file, are seeking to develop more reliable expressions. As part of this trend," EL COMBATIENTE continues, "the almost complete disappearance of the parties that represented the nationalist Far Right is symptomatic. Nonetheless, we must not ignore than certain middle-class, working-class strata, disoriented for lack of another alternative, were responsive to the laissez-faire and antigovernment preachings about the abuses and excesses of the monopolies." Interesting, isn't it?

8743

#### Economy Reflects Impact of Recent Military, Political Events

33480081c Buenos Aires LA PRENSA in Spanish  
31 Jan 88 sec 2a p 1

[Commentary by Rodolfo Gallo: "Military and Political Events Influence Economy"]

[Text] Last week the strictly economic sphere was deeply influenced by the major changes that are going on in both the military and political areas, in the wake of the military uprising that was quelled recently in Monte Caseros and elsewhere in the country by the military forces that obeyed the army chief of staff, General Caridi.

The so-called Rico group has obviously been finally crushed. It is also clear that the great majority of the army officers decided to really crush a factious group without any political or institutional prospects. It was also obvious, however, that military mutinies are not resolved with mass rallies but with force. This was true not only in the era of Sarmiento, Avellaneda or Pellegrini; it holds for today's starkest reality as well.

There is something else: the involvement of some air force officers in taking over the Jorge Newberry aircraft yard and the attempt to take the Moron Base, incidents that the military justice system is exhaustively analyzing. In this regard, those with long memories cannot forget the uprising of then Commodore Cappellini in December 1975, which also took place at the Buenos Aires aircraft yard and had major support from rightwing civilian extremists and ultimately turned out to be just a prelude to the March 1976 coup.

We must also take into consideration the total silence that the navy maintained at all times.

Lastly, it is striking that General Caridi currently enjoys a degree of power than he never even dreamed of when he took up his present post after the Holy Week crisis.

#### Political Unknowns

The military crisis was important because it deeply shook the country's political life, not so much at the institutional level as in connection the future interplay of Argentina's main political forces.

From this standpoint, the surly dispute between Peronists and Radicals over the Rico uprising is noteworthy. It ranges from the Peronist charges that Vice President Victor Martinez colluded with the coup plotters (which the vice president has called sheer "stupidity") to the heavy counterattack that Radical legislators have launched against this accusation.

The effect of all these diatribes was to conspicuously thwart the efforts of Messrs Alfonsin and Cafiero to hammer out a party accord that would enable them, by means of a constitutional reform, to retain power in 1989, the date of the next general election.

The plan to elect Cafiero president and Mr Alfonsin prime minister has clearly been dealt a harsh blow by national political events.

#### Governor Cafiero

During the military crisis just 15 days ago, the governor of the province of Buenos Aires adopted an attitude identical to Mr Alfonsin's. He received political leaders from all of the political parties that were worried about the uprising. At noon on Monday the 18th he summoned all provincial civil servants to sing the national anthem and denounce the military revolt. In a way it seemed like

a repeat, 9 months later and in the city of La Plata, of what happened in the Plaza de Mayo in Buenos Aires during the events of Holy Week.

These expressions of intense democratic and republican sentiments aside, it is obvious that Mr Cafiero's position within Peronism is causing the rest of the Justicialist governors to become increasingly distant and mistrustful.

Among the figures who have gained prominence in Governor Cafiero's circle in recent times are the former secretary of state in the days of General Levingston, Mr Jorge Hayek, and several figures linked to the former Latin American Bank. Mr Bernardo Grinspun, the former economy minister and current Radical planning secretary, was vice president of the bank, which is now being liquidated by the Central Bank of the Argentine Republic.

Reportedly among them are Mr Hernan Patino Mayer, who rose from a clerk at the former Latin American Bank to become a military adviser to the governor of Buenos Aires; Mr Lisandro Barry, the current vice president of the Bank of the Province of Buenos Aires, and Mr Miguel Saiegh, who is the current director of the same bank and a member of the family that owns the former Latin American Bank.

To this list of Mr Cafiero's circle should be added labor leaders Roberto Digon, tobacco workers, and Roberto Garcia, taxicab drivers.

The men who advise the governor of Buenos Aires Province have reportedly decided on the eve of the 1989 elections to hold on to the following list of supporters: first of all, Mr Jose Maria Vernet, but with his power cut back as much as possible; Deputy Jose Luis Bordon, Jose Maria de la Sota from Cordoba and, lastly, Carlos Grosso from Buenos Aires.

#### Vernet-Luder Meeting

Two incidents last week reveal the interplay of forces that is under way in Peronism in opposition to the Alfonsin-Cafiero pact.

The first was the decision last Monday by the National Justicialist Council, after a stormy meeting, to still hold the next general elections in September, instead of March-April, as proposed by the Cafiero people.

The second was the meeting that Messrs Luis Maria Vernet and Italo Argentino Luder will reportedly be holding today, Sunday, in Punta del Este with a view towards joining forces for the next election.

Mr Luder is known to oppose the constitutional reform, which he has called inopportune, given the economic and political vicissitudes that the country is undergoing.



The growing numbers of Peronists who oppose the constitutional reform have found in Mr Luder a man they can rally around. Therefore, Mr Vernet is presumably heading in that direction, in order to secure stronger political support from the former presidential candidate, as a way to broaden his political space beyond what Mr Cafiero is offering him.

### **Economic Problems**

Current economic developments are taking place against this political and institutional backdrop, as two main and totally related problems take shape: the efforts of the economic team in negotiations with the IMF, and the arduous efforts of the governors to secure more funding.

It is no secret that the talks with the IMF have bogged down badly. In past years the U.S. Treasury and State departments needed only to keep the green light on for Argentina so that the IMF would turn a blind eye to our country's continual failure to comply with the agreements it had made with the Fund.

But this situation has apparently reached its limit. After all, the IMF is merely an international auditing body, and although it can take a request from the U.S. Treasury very much into consideration, it must also obey its bosses, who are none other than the banks of all the member countries of the world's leading financial organization.

The promise to pay back the debt has been and is being welcomed, but is obviously not enough.

Argentina's repeated failure to balance its monetary accounts, with no indications that things will improve, offers a solid guarantee to no one. This became thoroughly obvious last week when the IMF mission in our country postponed its return to New York by 4 days in the hope that the Argentine authorities would provide better background information.

The budget deficit is one of the biggest problems, but the off-budget deficit is grave enough to make anyone's hair turn gray. The off-budget deficit consists predominantly of Central Bank rediscounts for the state-run sector (and a high percentage of them are advances to government-run banks, led by the National Mortgage Bank and then the National Development Bank and a host of provincial banks).

### **The Alfonsin-Saadi Meeting**

The demands of the provincial governments on the central government have reached a serious extreme, as demonstrated by last week's meeting between the governor of Catamarca and the nation's president.

Besides the critical situation in the state-run provincial banks, the concern is over the percentages of federal revenue-sharing for the poorest provinces, which are considerably lower than under the previous federal revenue-sharing law.

It was precisely the issue of revenue-sharing that Governor Saadi pushed most fervently with President Alfonsin and on which they reportedly agreed the least.

### **New Government Bonds**

Last week too we learned that a new government bond was joining the long list of state-issued paper that is flooding the Argentine financial market.

A week ago the Banco del Chaco, to be precise, put on the market a registered, representative certificate for 23,346,000 australes, issued by the Central Bank last 11 January at a nominal rate of 2 percent a year, adjusted in accordance with an index whose benchmark is the rate set in circular 1,097 of the Central Bank.

The bond provides for quarterly redemptions on 11 April, 11 July and 11 October of this year, and the last one on 11 January 1989.

It was done under a temporary financial agreement to transfer federal funds to the provinces in the amount of 350 million australes, as authorized by Decree 2,123 of 30 December 1987.

These bonds include financial assistance, via bonds, to the provinces of Buenos Aires, Salta, Chaco and others.

This means that the accounts of neither our country nor of our provinces are in balance. The result is mounting domestic and foreign debt at higher and higher interest rates that seriously jeopardize the output of goods here.

Meanwhile, the government continues to increase taxes on everyone and everything. For example, the tax on gasoline is supposed to go up more than 40 percent by late February.

### **The President's Trip to Spain**

Amid this sad and miserable panorama the president's remark just before he left for Spain on an economic mission is not exactly encouraging to foreign investors. He said that he was on the list of people that the rebels headed by Aldo Rico were going to shoot.

**Siles Zuazo Said To Be Preparing Political Comeback**

33480080b La Paz HOY in Spanish 26 Jan 88 p 3

[Commentary by Okar in the column "Arrow Wounds"]

[Text]

**The Ghost of Siles**

Hernan Siles Zuazo has been (or is he still?) the most flashy politician in the last few decades. He knows how to fade into the shadows of anonymity and remain silent, working and waiting. He can endure exile, knowing that it can rejuvenate, that it can put some distance between the individual and events, that it can soften the excessively sharp edges of previous actions or administrations, that it can make the successes stand out while causing the negative aspects to pale or even finding something positive about them that increases the nostalgia. Moreover, Siles knows that, to the extent that the country's problems remain unsolved, and in fact things continue to deteriorate, the past rises up, magnified, tolerated or justified, under the umbrella of that conservative expression, "everything in the past was better."

Siles prepares his appearances carefully, timing them just right. We have seen him many times in these postures: showing up at the national panopticon, claiming total responsibility for the governments of the Revolutionary Nationalist Movement (MNR) of 1966; getting into Juan Lechin's car, threatening the crowd that he would not get out if they did not put out the fire that was burning it; coming into the country disguised as a machinist during difficult times; placing himself in the middle of two opposing groups to prevent a confrontation and mutual aggression; waging hunger strikes to force the government to take certain measures or to turn power over to him. His appearances have been carefully planned, timely, and always effective.

Now he is about to arrive in Sucre to defend the name of his party, the MNR-I, before the Supreme Court. The National Electoral Court prohibited his party from using that name, which was why it did not participate in the last elections. Being stripped of its name saved the party from engaging in an inconvenient and premature electoral confrontation. This is the attitude of a man who is still waiting for something in the future, who is preparing new actions, who would be willing to wage the last battle of his life, no matter what the outcome.

**From MNR to MNR**

The MNR of Paz Estenssoro is undergoing a crisis. The exodus of its members to other parties appears to be an uncontrollable avalanche, truly uncontrollable, with no retaining walls. Paz Estenssoro's time as a caudillo is coming to its inevitable end, and 1989 will catch all the movements in the middle of a veritable crisis of leadership. The country's problems are worsening; the crisis is

feeding on the poorest of the people; the peasants are discontented and fearful of the move to reduce the coca crop; the "boys and girls" in politics have already had their fun and games, and must be put in their place. It is time to return to the caudillos, and they must reclaim their heritage and the loyalty of the thousands who received gifts and favors from them. The only thing left to do is to set the stage (a tranquil city where he can be visited) and put up the scenery for the new play, an attention-getting stunt in defense of that most sacred of things, legitimacy—in this case the legitimacy of his party, the MNR-I, and of historic traditions, the most outstanding of all being the fact that he forced the country to return to democracy.

He will appear before the Supreme Court of Justice not as a defendant, like his old enemy Garcia Meza, but as an accuser; not because he has threatened democracy, but in defense of it; not in the prisoner's dock but at the bar, raising his voice in indignation.

The stage is set. The only thing missing is an audience to cheer or boo.

This appears to be what Hernan Siles will do. He will reappear at the right time with some appropriate action. He knows his part; he is very familiar with the script. The consequences don't much matter; what matters is the attitude of a public figure whom many thought they had relegated to history for good.

The old rivalry between Paz and Siles will reappear. Perhaps that is Siles' greatest motivation, to beat his old adversary and competitor in the final, definitive, irrevocable and supreme round of their lives so that the victory will be recorded indelibly in history.

**Meanwhile**

And returning to our little world without great projections or lofty dramatics, the Municipal Council of La Paz cannot find a way out, even though the situation is now mature enough for agreements to be reached, no matter what their substance.

In Santa Cruz the participants have returned to negotiations on the basis of the appointment of Pedro Ribera as mayor and a MIR member (Saavedra?) as chairman of the Municipal Council. It remains to be seen whether the MIR will continue to challenge Ribera Sanchez' appointment, or whether it will accept it, albeit indirectly without committing itself; whether the Federalists will use their vote to break the tie, or whether they will insist that the current interim appointments be made permanent. (Perhaps the MIR wants only to replace Fernandez with Saavedra and doesn't care who is the mayor for Nationalist Democratic Action or the bipartisan group.)

**Jaime Zamora's MIR Rated Strong Contender in Coming Elections**

33480080a La Paz PRESENCIA in Spanish  
4 Feb 88 p 3

[Commentary by Remo Di Natale]

[Text] The Movement of the Revolutionary Left (MIR) has emerged from the municipal elections as a party with a future. It is an essentially caudillist party whose leader is a singularly charismatic figure. He is an actor who penetrates the people's hearts. He was able to capitalize on the airplane crash (a criminal assault on him?) that left him with scars, heightening people's sympathy for him. In fact, Jaime is a politician of great charisma. Siles Zuazo was destroyed in the Democratic and Popular Unity (UDP) government; the Nationalist Revolutionary Movement of the Left (MNRI) was shattered, and the same fate befell the other parties that made up that administration. But Jaime managed to maintain his popularity despite having been leader of the party that came up with the disastrous economic policy of that administration. After the chaos in the heart of his party and the uproar that resulted from the schisms, he came out smelling like a rose. He took with him the vast majority of the MIR membership, which enabled him to act more calmly, untrammelled by the opposition to his caudillo-style leadership that was expressed by the "rebel boys," Tono Quiroga, Granado, and Delgadillo. And along the difficult path that Jaime has taken, a surprising, astounding turn of events has occurred: When the political agreement was reached under which Siles Zuazo resigned during the final year of his term, Jaime got all the political parties to accept without argument his candidacy for the presidency of the republic. This was a flagrant violation of the Political Constitution, which clearly and unequivocally prohibits the vice president from running for president within 4 years of the end of his term. Were the political party chiefs overwhelmed by Jaime's charisma, or what happened?

In addition to his personal charisma, the MIR leader can rely on the effective organization of his party, which is very well buttressed by various programs. Some uninformed individuals see a communist threat in the MIR. The MIR is allied with the European social democrats, and therefore has a firm commitment to maintain a democratic regime and a capitalist system modified by certain measures favoring the workers. It is true that the red-tinged view that many people have of the MIR is rooted in the scandalous and clamorous Marxist rhetoric that provoked many of its youthful followers to resort to violence in the late 1960s. And it stems above all from the guerrilla warfare advocated by Teoponte, whose obscure origins and tragic denouement have been clarified by that party. But it is also true that all of that belongs to a past which, though only 20 years distant, has become remote; and there is no more memory of this past in the MIR consciousness, because it has been overshadowed and replaced by the recent past of the war against Garcia Meza, during which MIR leaders were

assassinated. And it is undeniable that this party has played an important role in the installation of democracy in Bolivia. This is a democracy lacking in any scientific basis, an inept, frustrated, and corrupt democracy, a democracy out of touch with the demands of our time, but nonetheless a democracy that has replaced the torture and murder of the dictatorships with civilized dialogue and the electoral give-and-take of the parties.

To understand the significance of a possible MIR government, one must first answer the question, What is this party? The truth is that I don't know. Some may say that it is a social democratic party. But social democracy is a European movement that has emerged from Europe's reality. How can the ideas that hold true for a highly industrialized capitalist system be adapted to the reality of our underindustrialized economies? How does the MIR interpret this problem? I recall Jaime's TV speech.

It was given several months ago. I confess that that speech served to further muddy my understanding of the MIR.

The MIR has a future in the sense that it may win the next national elections. But if it attains power at its present stage of intellectual and scientific development, it runs the risk of encountering the same failure as the UDP and the MNRI did.

What does the MIR have to offer the country? I don't know, and I'm not sure even the top MIR leaders know for certain. I will not make a priori judgments. When I say it is possible that even the MIR leaders may not know exactly what to do with the country, I am thinking of the formidable campaign of years past in which that party was portrayed as the great movement of the left, with carefully thought-out plans and programs, with the requisite ability to chart a course of progress for the country. And I compare that campaign with the disorientation of the MIR leaders and technical experts who contributed to hyperinflation and caused the dollar drain, which served only to enhance the fortunes of the oligarchy and condemn to poverty all of the honorable small savers. Since that time, the country's difficulties have not subsided, and I don't know whether Jaime has done anything to improve the knowledge of his experts.

I should say to Jaime in all sincerity: I am extremely concerned about the fact that you have turned the compass of the MIR ship toward a position of conciliation with the oligarchy. It will be impossible to find a way out of the present situation if the oligarchic regime is not replaced by a new form of democracy that is scientifically conceived, one in which the people will really be able to participate in their own ascent toward a new civilization.

Jaime, you are talented and can correct errors. And alter courses. You can and should do so. Begin by clarifying ideas in light of the major changes that quantum electronic technology has begun to introduce in the world at

such a dizzying pace. Think about what biogenetic engineering is already beginning to mean. Reflect, and make your experts and leaders reflect on the impact the new Japanese and American technology will have on the poor economies of Third World countries. You will then see very clearly that a new path must be taken, one that was not foreseen by social democracy. Scientific humanism will shed light on it. It has room for the revolutionary interpretation of the Gospel, the humanist philosophical vision, and the conquests of science and technology.

08926

#### **Budget To Allocate 34 Percent Export Earnings to Debt**

33480080d Santa Cruz EL MUNDO in Spanish  
18 Feb 88 p 1

[Text] La Paz, 17 February (ANF)—The General Budget of the Nation calls for spending 418.8 million bolivianos on interest and principal payments on the public foreign debt in 1988. This represents 34.0 percent of the overall value of our exports, which total an estimated 1.228 billion bolivianos.

During the 1987 fiscal year, Bolivia disbursed \$135 million to service the debt to foreign creditors, primarily multilateral organizations. This figure amounted to 31 percent of its total exports, an estimated \$448.5 million.

According to the General Budget of the Nation, the General Treasury will pay 261.9 million bolivianos to meet interest payments on the foreign debt, and 156.9 million bolivianos against the principal.

With regard to the domestic debt, the Treasury has earmarked 116 million bolivianos for this fiscal year. Among these obligations is the \$9.7 million debt the Treasury owes corporations.

In addition, this total includes the credit extended by the National Investment Feasibility Studies Institute (INALPRE); the Treasury must service this debt as well.

#### **Luxury Consumer Goods**

The Ministry of Revenue Collections will levy a special tax of 15 percent on so-called luxury consumer goods in an effort to obtain significant additional funds during the 1988 fiscal year.

This tax will take effect as soon as the National Congress passes the budget bill, which will have the force of law as soon as it is approved.

The ministry managed to collect a total of 363 million bolivianos in income taxes in 1987; in 1988 this figure should double. Fiscal authorities have announced that the income tax will yield 675.8 million bolivianos, which is 47 percent more than in 1987.

#### **Customs Duties**

In addition, gross collections from customs duties will not exceed 254 million bolivianos, which includes a differential tax of 10 percent for imports of capital goods and a progressive decrease of 1 percent for every 3 months of the current linear tax of a flat 20 percent.

With this adjustment in the tariff system, instituted in mid-1986, the government hopes to boost collections from the differential import tax.

It may be recalled that the administration drew up a list of products that took advantage of the 3-year deferral of payment under the Reactivation Decree. The tax system was not allowed to collect any revenues on those products for 3 years.

In 1987, imports totaled \$792 million, of which 2/3 was financed with external credit and the remaining 1/3 with the funds of the Central Bank.

For 1988, overall imports have been set at \$932 million, according to the General Budget that will be considered by the ministerial cabinet.

08926

#### **Church Sets Unemployment Figure at 25 Percent**

33480080c Cochabamba LOS TIEMPOS in Spanish  
18 Feb 88 p A10

[Article by Erick Foronda Prieto]

[Text] Although the government of President Victor Paz Estenssoro optimistically announced in June of last year the beginning of the recovery process in this country's sluggish economy, none of the social ills or production problems has been solved so far, and chances are there will be no prosperity in 1988. Not only bureaucratic obstacles but also Argentina's stubborn decision to avoid paying for its gas purchases have once again raised the possibility of a sharp recession here.

The economic reactivation, which is the second phase of the economic model we have been pursuing since 1985, is supposed to mitigate the effects of unemployment, generate economic surpluses, vigorously promote non-traditional exports, and achieve economic growth in this country after 5 straight years of negative growth rates, averaging -3 percent.

But the unemployment rate, according to studies conducted by independent entities, has not diminished during the past months. The Church has said that joblessness has reached a "chilling" 25 percent of the labor force, which comprises just over 2 million people. The government, however, maintains that the jobless rate is barely over 18 percent.

Unemployment in Bolivia worsened when the current administration decided to permit the free hiring and firing of workers and approved rigorous budget-cutting programs that called for the lay-off of more than 20,000 employees of the Mining Corporation of Bolivia (COMIBOL), about 30,000 employees of the Public Administration, and an estimated 40,000 factory workers, among other measures.

These moves, which are part of the adjustment policy, came at a high social cost, yet they have managed to achieve something none of the 8 governments of the past 9 years, whether democratic or dictatorial, was able to accomplish: economic stability and almost total control of inflation. For all of 1987, inflation totaled 10.5 percent, the lowest rate in the southern cone, according to official estimates. The inflation rate for January is under 0.45 percent.

Minister of Planning and Coordination Gonzalo Sanchez de Lozada asserted at a meeting with private businessmen that the Gross Domestic Product (GDP) grew at a rate of 2.16 percent in 1987, and will achieve a "much higher" rate this year. "The economy will grow, despite the opposition of private businessmen and the bureaucratic obstacles of the government, to prove that we are overcoming the recession once and for all while keeping inflation under control," he said.

Sanchez de Lozada, who is regarded as the force behind the New Economic Policy, contended that at least four sectors of the economy have posted favorable gains in 1987. Cement production rose by 40.6 percent over the 1986 total, while the agriculture sector had a real growth rate of 3.3 percent, gold production was up 92.9 percent, silver soared by 272.8 percent, and lead moved ahead by 53.3 percent.

The COMIBOL, however, which was the strategic sector of the Bolivian economy until before the price of tin fell through the floor in October 1985, reported a decline of 4 percent. The state petroleum enterprise, which is the only profitable enterprise in the public administration, saw its production fall off by 0.07 percent.

The great challenge facing Paz Estenssoro is to bring about the long-awaited economic take-off and to solve the social problems that are growing ever more severe, to the extent that they threaten to back him to the wall this year. The Bolivian model, which has been carefully examined by international agencies, earned prestige when it succeeded in defeating the galloping hyperinflation that in September 1985 reached 24,000 percent, the highest rate in Latin America and the seventh highest ever recorded in the world.

But no labor organization, none of the influential academic institutions, not even private industry believes that the economy grew at the reported rate of 2.2 percent in 1987. They are waiting anxiously to find out what developmentist plans will be approved in 1988.

Sanchez de Lozada, however, has heightened the fears that an economic recession is about to descend on this country. If Argentina does not pay, Bolivia's effort could stumble as never before, argued the chief of the economic team.

#### Distrust of Official Figures

Flavio Machicado, manager of one of the most highly reputed economic consultation firms and twice minister of finance in previous governments, declared that he has good reason to doubt the government's assertions. "The economic evaluation data we have processed tells me that in 1987 there was no new investment in any of the productive sectors. And if there was no production, how can the GDP possibly have grown . . .?"

"Such growth is not possible, and cannot be proven. The agriculture sector did not boost its productivity or extend its area of production; mining has stagnated; the petroleum sector has received no fresh investment. I think that the only sector that has benefited so far has been commerce and services. Now there are a lot of places to go have fun and eat, but that is not a sign of reactivation. This model is stimulating not production and growth, but consumption," argued Machicado.

A document processed by the Consultora Muller y Machicado consulting firm contended that if the GDP had grown by 2.2 percent, the net reserves of the Central Bank would have expanded as well. Yet official reports indicate that these reserves have fallen by \$100 million in the last 4 months. "The economic model consumes much more than it produces."

This distrust in the government's claims, which are presented at solemn public events in the form of complicated statistical charts that are hard for most people to read, is an almost universal feeling among the population. They have a kind of foreboding that something is wrong.

Such is the case with Macario Lopez, one of 700,000 small and medium agricultural producers, who in the last 3 months has been wandering through the offices of the Agricultural Bank of Bolivia (BAB) trying to obtain a \$3,000 loan. This might seem a modest amount for that institution, but it is indispensable for Macario in his efforts to improve the productivity of his 2 hectares of land in the Yungas area of La Paz.

Macario has submitted a plan to turn his tomato and citrus farm into a coffee plantation. He is attracted by the price that middlemen are paying to thousands of coffee growers. But his agricultural reconversion plans may be thwarted by excessive red tape and the state bank's requirement of guarantees of solvency. He cannot turn to private banks, because in addition to pressuring him to put up impossible collateral, they have set their annual interest rate at more than 24 percent.

The president of the Agricultural Bank, Mauro Bertero, admitted that this institution that is so vital to production is able to meet the needs of only 6 percent of the 700,000 rural producers in the country. "There are administrative difficulties and a temporary lack of available resources," explained the official.

The secretary general of the Episcopal Conference of Bolivia, Msgr Luis Sainz, expressed the hope that in the next year the dreams of rural producers will become reality and that the thousands of jobless workers will be able to find permanent work. "This sacrifice by the poorest people, who have endured drastic measures, including violence, cannot continue indefinitely. We have achieved stability at the cost of the jobs of many workers, and of low wages; but there is no reactivation, no increase in wages, no new jobs."

In the prelate's opinion, children have been punished most severely by the economic model. "The children of the majority of families no longer have access to education or health care. Their diet is precarious, and many of them have been forced to go to work at a very tender age." Each year 113 out of every 1,000 babies die before their first birthday, and from 40 to 50 have a moderate to high degree of malnutrition.

The present national minimum wage is 50 bolivianos (about \$25), but the once powerful Bolivian Labor Federation (COB) has launched a tenacious plan to achieve a raise of more than 1,000 percent in wages. Simon Reyes, who has become the top labor leader and is a deputy for the Communist Party, announced that the

Bolivian labor movement is preparing to engage in "a great confrontation with the government" in the coming weeks, if the current negotiations fail.

Despite these announcements of the resurgence of social conflicts as patience wears thin, Minister Sanchez de Lozada has asserted that the General Budget of the Nation for this year gives top priority to the social sectors, which were neglected in years past due to the financial exigencies facing the state.

According to the provisional structure of the state spending budget, however, the payment of the external and internal debt will absorb 32.85 percent of state expenditures. The state's entire apparatus of repression will eat up 22.6 percent of economic resources, while education and public health have been allocated 21.56 percent of state spending. Among the outlays planned by the government, only 97.2 million bolivianos has been earmarked for the category titled "investments," just 5.96 percent of all state funds.

The provisional state budget, for the first time in more than a decade, allotted a slightly higher amount to education than to the Armed Forces.

Msgr Sainz, sharing the opinion expressed by other Bolivian authorities, contended that the government is making a sincere effort to reaffirm the resurgence of the economy and to improve the living conditions of the majority of Bolivian families. But low wages, deficient public health and education services, and an alarming malnutrition are daily facts of life for this country's population.

08926

**Minister Discusses Control of State Firms, IMF, Shock Measures**

*33420051b Sao Paulo ISTOE in Portuguese  
27 Jan 88 pp 40-41*

[Interview with Minister of Planning Joao Batista de Abreu by Jorge Luiz de Souza on 27 January 1988 in Brasilia]

[Text] An active militant in student politics while in high school and an alderman elected by the PSD in Lavras, Minas Gerais, where he was born, when he was only 19, Joao Batista de Abreu decided to relegate his promising political career to a secondary level. He opted for the technical sector when he passed the entrance exams for studies in economics in Belo Horizonte, and he never again was affiliated with any party. After postgraduate work at the FGV in Rio, he became the direct adviser to a consecutive series of Brazilian economic czars between 1974 and 1986—Mario Simonsen, Delfim Netto, Francisco Dornelles and Dilson Funaro, and he earned a reputation as a very serious economist of the most professional sort, even under widely varying leadership. He has added luster to this reputation in the past 10 months as the secretary of finance for Minas Gerais. It was precisely because of his professional reputation that he became minister of planning last week, replacing Anibal Teixeira, who left his ministry following serious charges of corruption in his administration. Abreu assumed his new post last Friday, at the age of 44. Just a few hours earlier, he granted an interview to ISTOE in which he said that it would be inaccurate to call him a technical minister, "because a minister pursues actions which are of a political nature." He also defended the 5-year term for President Jose Sarney and retention of the presidential system in the new constitution.

[Question] You are taking over the Secretariat of Planning in a period of economic difficulties, with inflation threatening to escape control again and to become hyperinflation. Do you believe that you can work harmoniously with the minister of finance, something which has only occurred from time to time in Brazil?

[Answer] I believe that major conditions exist to make this possible, because my personal relationship with the minister of finance dates back a long time, and we have always shared a great affinity. But it is clear that the situation is a difficult one. I greatly fear that the country may move toward a situation of hyperinflation, accompanied by recession. I believe that this is an extremely pertinent issue, one which must be discussed by society, because there is a belief that recession is the product of orthodox policies, while the truth is that recession is predominantly the product of lack of investment. Investments can only be decided upon when the horizon is clear. Nothing is less favorable to a recovery of investments than uncertainty.

[Question] What changes do you plan to make in economic policy in order to change this situation?

[Answer] A new style is now being pursued, wherein the government is concerned with the consistency of the macroeconomic policy, but there is equal concern about the competent implementation of the policy. In the recent past we have been very imaginative in developing creative policies, but very inefficient in administering them.

[Question] What is competent administration?

[Answer] It is a very simple thing. I am saying that we advocate a beans-and-rice policy—this is the thing. Where I am concerned, it means strict adherence to the budget. There is now a prerequisite of the greatest importance. For the first time this year, we are working with a unified budget, a tool which has only now been offered to the economic authorities. If this budget is properly administered, then, in a way consistent with the goals of reducing the public deficit, we will be serving up the beans and rice, and it will not be difficult.

[Question] Apart from reducing the public deficit, what is needed in order to control the inflationary explosion?

[Answer] It is essential that the monetary policy be tightened now, even if this results in a high interest rate, among other things because keeping interest high is basic today in order to avoid hyperinflation, at least until the public deficit begins to decline.

[Question] What kind of control will there be over the state bodies, which are responsible for the larger part of the deficit today?

[Answer] More effective control of the state enterprises could be implemented through the financing bodies. Control has always been easier through the bodies which finance the expenditures of the state enterprises. The government, however, must devote a great deal more of its talent to qualitative control of the state bodies, defining projects and priorities and calculating the economic and social returns.

[Question] And what about the deficits of the states and municipalities?

[Answer] I am somewhat afraid of what might happen with the states and municipalities this year. This is an election year, and it is even understandable that the governors and the prefects must do more by way of demonstration. In this connection, it is of basic importance that the federal government control the state enterprises.

[Question] Apart from the short-term policy, will the SEPLAN undertake long-term planning again?

[Answer] In the short range, the SEPLAN will function as a part of the Ministry of Finance. But there is another side which I regard as more important. This is the return

of the SEPLAN to its original function as a body responsible for formulating medium- and long-term policies. The planning system we have today has an extremely centralizing orientation, just as was true in 1974. This no longer makes sense in a democratized and pluralistic society. The great challenge facing us is the redefinition of the planning system, so that it will be consistent with the new reality.

[Question] Where are you going to begin?

[Answer] The reactivation of the Economic and Social Planning Institute (IPEA) is very important. It played a decisive role in the past, even in a difficult period of Brazilian life. It was a body which produced policy alternatives and did basic research, and it represented what I call the critical conscience of the government itself. This redefinition of the planning system requires a reorganization of the IPEA.

[Question] Last year, the SEPLAN was known for other activities, which even led to serious charges of corruption. What do you plan to do in this area?

[Answer] Personally, I do not want the SEPLAN to take on these executive tasks. One of the first steps I will take is to entrust the technicians with the task of making a strict assessment of the social programs. The SEPLAN, as an element in the pursuit of short-term economic policy, should limit itself to administering the budget of the union efficiently. Involvement in executive tasks seriously contaminates the work of formulation. Normally, a technician working on the generation of ideas, but working on the side on implementing programs, is greatly attracted to the latter function because it results in much greater short-term prestige.

[Question] What about the investigation of the charges?

[Answer] I am being very careful about this. I believe that an accusation is a very serious thing. I have no desire to prejudge. I do not want to go into the SEPLAN poisoned by these things. I will summon the individuals responsible for these matters to hear their views, and I will listen to other authorities.

[Question] What are your plans in the realm of transfers to the private sector? When will the government produce some results?

[Answer] The issue of conversions to the private sector is much more one of determination than a complex technical issue. Either the government shows a clear intention to do this or the program will remain ineffective and profoundly wasteful. I am very pleased with the work done to date by the commission in charge, but this is not the basic issue. The fundamental thing is the political determination to do it, or the lack of it.

[Question] Are you satisfied with the proposal which has already been approved by the Constituent Assembly concerning greater congressional participation in the drafting of the federal budget?

[Answer] I believe that the high point of the new constitution in the realm of economic affairs is precisely the section which establishes the processes for the drafting of the budget. In a balanced fashion, the most modern to be found today, they will reestablish the powers of the Congress, broad powers to discuss and follow the administration of the budget, but without hindering executive action.

[Question] What is your view concerning the country's return to the International Monetary Fund (IMF)?

[Answer] I have no preconceived opposition to the IMF. It is much more a question of what is desirable for the country. The presence or absence of the Fund is not the most important thing. What is most important is that this adaptation will inevitably have to be made, for otherwise we will proceed rapidly toward hyperinflation and a brutal recession.

[Question] What is the main difference you see between the New Republic and the preceding governments in connection with the conduct of the economy?

[Answer] The biggest difference has been the introduction of the discussion of inertial inflation. This is a question we cannot set aside simply because one or two programs were not successful. Israel repeated the experiment several times and it achieved success.

[Question] Will Brazilian inflation today, nurtured by a monetary adjustment, require a new shock measure?

[Answer] I believe that indexing generates a very forceful inertial component. Demand policies are greatly hindered by the process of indexing, and to reduce inflation, it is necessary to control demand. At the moment, however, I do not recommend nor do I defend any shock measures. A policy of adequate adjustment is a prerequisite to bringing down inertial inflation. I would never advocate new shock measures during this government, which will have to be extremely orthodox.

5157

#### **Resignation of 80 Congressmen From PMDB Imminent; Comment**

**PMDB May Lose 80 Congressmen**  
*33420057a Sao Paulo O ESTADO DE SAO PAULO  
in Portuguese 3 Feb 88 p 6*

[Text] Brasilia—About 80 congressmen are determined to leave the PMDB [Brazilian Democratic Movement Party] within 2 months at most if the party does not return by then to its former "progressive attitude" and



its fight against corruption, according to a message sent to Ulysses Guimaraes by Deputy Pimenta da Veiga, leader of one of the dissident groups. "The change will have to be radical and it will have to happen soon, otherwise we will leave to establish another party," said the congressman, who declined to give the names of the other dissidents and simply emphasized that dissatisfaction within the party is growing significantly and that this time it will have practical consequences.

The leader of another dissident group, Deputy Fernando Lyra, together with Cristina Tavares and Senator Jose Paulo Bisol, is already discussing the wording of a manifesto announcing his separation from the PMDB. The former minister of justice and member of the party's former authentic group is proposing that the dissidents leave before the directorate meets on 24 February to discuss a break with the government. Lyra feels that at least 20 deputies will leave with him to form another party. In his opinion, Sao Paulo Senators Fernando Henrique Cardoso and Mario Covas will also leave at a later stage.

#### Consequence

Senator Jose Richa's candidacy for the post of third deputy chairman of the PMDB will no longer make any sense if the party's so-called traditionalist group decides to leave even before the meeting by the national directorate. That observation was made by the Parana senator himself, and it agrees with the comment made by Deputy Francisco Pinto (Bahia), a member of the PMDB National Executive Committee.

In Francisco Pinto's opinion, Richa's candidacy is in danger of becoming pointless if the "traditionalists" continue to announce their decision to leave the PMDB before the 24th. And he brings up this point: "Since the traditionalist group has nominated Jose Richa to be third deputy chairman, that might also indicate that no one wants to leave the PMDB. Anyone wanting to break away is not going to vie for positions of leadership."

**No Change Until Constitution Is Approved**  
*33420057a Sao Paulo O ESTADO DE SAO PAULO*  
*in Portuguese 5 Jan 88 p 3*

[Commentary by F.M.]

[Text] Brasilia—The report that at least 80 congressmen are going to leave the PMDB within the next few days is pure fiction. That movie was shown months ago, and it had the same actors. The proposal by the most leftwing group in the party, the Progressive Unity Movement (MUP), and the former minister of justice, Deputy Fernando Lyra, to abandon Ulysses Guimaraes' ship on the eve of the meeting by the national directorate on 24 February is not getting a good reception.

In announcing their readiness to leave the PMDB just hours before the meeting by the national directorate—where it will discuss the party's break with the Sarney administration and choose a new third deputy party chairman for the interim period between now and June—the "separatists" must have inspired Ulysses Guimaraes. The chairman of the PMDB is now calling for a postponement of that meeting by the national directorate and, if possible, its cancellation.

Ulysses' excuse is the same as it has been for the past few months: No party-political crisis must be allowed to interfere with the work of the Constituent Assembly. He knows what he is saying. The national directorate could serve as a platform for the usual dissident movements and make the PMDB's internal situation worse. The proposal that the majority party break with President Sarney would have no consequences, but it might reveal once again the fragility of the multicolored front that Ulysses Guimaraes has managed to head since 1971.

Deputy Francisco Pinto, who is above reproach and was one of the founders of the authentic group in the old MDB [Brazilian Democratic Movement], feels that the meeting will have no consequences at all. Those who broke with Sarney will stay where they are, and those who support him will continue to support him. A lot of people may give orders in the PMDB, but only those who want to obey them do so. The majority does not want to.

Since the MUP and the so-called traditionalist group are threatening to leave the PMDB on the eve of the meeting by the national directorate, the solution seems simple: postpone or cancel the meeting. That way, there will be no "eve of the meeting."

One of the candidates for the vacant post of third deputy chairman in the PMDB is Deputy Cid Carvalho from Maranhao, a personal friend of Sarney and Ulysses. He has always opposed the idea of calling a meeting of the national directorate immediately. He must support the party chairman's proposal, which is to postpone the meeting until after the new Constitution is promulgated.

The PMDB's national convention will be held in June to elect a new directorate and National Executive Committee. By then—let us hope—the country will have a new Constitution, and the party picture will start moving toward a general reorganization. There would then be changes in the positions of leadership and not just the election of an interim leader.

Congressmen associated with Senator Mario Covas have not yet taken a stand on postponement of the national directorate meeting scheduled for the 24th. But they have made up their minds on the issue of whether to leave the PMDB now, and their decision is no. The great majority wants to wait until the new Constitution is promulgated and the party's national convention is held. One event is linked to the other. If the Constituent

Assembly approves a 4-year term for Sarney, there will be a presidential election before this year is out; if it chooses a 5-year term, the election will be in 1989.

The presidential term of office may determine the direction taken by the parties—the PMDB and the others as well. If an election is going to be held this November, that will make it hard for the PMDB to implode. No one will want to form a new group and then immediately compete in the presidential election. The PMDB as it stands today—divided into fronts, groups, movements, wings, and factions—knows that it will have no trouble attracting 40 million voters, which is the absolute majority guaranteeing victory. If the “split” really comes, that is what will send the PMDB and Ulysses Guimaraes’ candidacy into outer space. Brizola and Lula must be rooting for the PMDB to split right now.

The more realistic PMDB members agree with Mario Covas in feeling that they should leave the PMDB only for a major reason that might restore the prestige lost in the streets and public squares since the last half of 1986, when the miracle of Dilson Funaro’s Cruzado Plan began to fail. The PMDB had greatly supported and praised that program and also benefited from it at the ballot box.

According to Mario Covas and his followers, that major reason could be control of the party’s leadership by the moderates in the “Big Center,” for example. In that case, the groups on the center-left and the left could show their rank and file and the voters that the party was no longer what it had been and that the PMDB was no longer being run as before.

The “traditionalist” deputies and senators are of the opinion that if the MUP leaves, its departure will not mean the end of the PMDB. There are even those who are rooting for the quick departure of the “radicals.” If they stay, fine. But they must have the patience to wait for the new Constitution and the party’s national convention. Many feel that Fernando Lyra and the MUP must be bluffing when they announce that at least 80 congressmen will no longer be led by Ulysses Guimaraes after the next few days. They acknowledge, however, that from 15 to 20 members of the MUP may go so far as to leave the party along with Fernando Lyra and, perhaps, Pimenta da Veiga. They would leave without fighting to regain control of the party.

Covas and Richa prefer to put on a show. If they are defeated at the convention, they will then leave with a new flag hoisted. In their opinion, that would be better than beating a retreat now and leaving the flag behind in the hands of the “others.”

### Guimaraes’ Plans To Break With Government Discussed

33420057b Sao Paulo O ESTADO DE SAO PAULO  
in Portuguese 4 Feb 88 p 6

[Article by Carlos Chagas]

[Text] Deputy Ulysses Guimaraes is going to break with the government. He hopes to induce nearly all of the PMDB [Brazilian Democratic Movement Party] to adopt that position. As a candidate for president of the republic, he has no alternative except to make a formal break. In fact, the break has already occurred, but he will need to mark the occasion with great pomp and liturgy. Otherwise he will be condemning himself and his party to the most resounding defeat, whether the presidential election is held this year or next.

The Sao Paulo congressman has plans for making the break official in elegant but definite terms during a meeting by the national directorate of the PMDB. Not the one that has been scheduled for 2 weeks from now at the initiative of the “historical” group, but another, much more intense meeting whose date cannot yet be foreseen. In principle, it will be held immediately after the new Constitution is promulgated, but it may take place sooner if the work by the Constituent Assembly drags on indefinitely.

When the break comes, the PMDB’s ministers will be given the choice of sticking with the party and its subsequent prospects or, if they want, remaining with Sarney. It is obvious that Prisco Viana, Jose Hugo Castello Branco, Ronaldo Costa Couto, and others will remain in the government. It seems equally obvious that Celso Furtado, Renato Archer, and Luis Henrique will not remain. There are doubts about Paulo Brossard, Jader Barbalho, Iris Resende, Borges da Silveira, and Aluizio Alves. Almir Pazzianotto will resign from the cabinet, but for his own reasons: to run for mayor of Sao Paulo. Most of the governors will stay with the party, but it is difficult to guess what the congressmen will do. If Sarney’s term of office is set at 4 years, most of them will probably choose the party. If he is given a 5-year term, no one can say for sure.

Until Monday, Ulysses Guimaraes had simply been listening to suggestions from his closest associates concerning the need for a break. He had said nothing in response. It is clear that he was—and still is—carefully cutting his ties with Planalto Palace and staying as far away from there as possible. But for the past 2 days, he has been talking and admitting that the PMDB’s separation is inevitable. He is reserved in his comments on the deadlock. He was not a bit pleased with President Sarney’s criticisms concerning the political obstacles which the government has had to face over the past 3 years. He listened silently as a special guest at the recent cabinet meeting. He became more annoyed upon learning that the complaints and diatribes had been even worse during the secret part of the meeting, at which he

was not present. He does not accept the idea that the president should be trying to lay the blame for the frustrations and failures of Federal administrative action on the PMDB. Chiefly, he rejects the comment that the moratorium was inspired by the PMDB. Sarney now recognizes the moratorium as the biggest mistake his administration made and is trying to dissociate himself from its effects by blaming it on the influence of the PMDB. It is clear, Ulysses confides, that the party supported the measure, which was even discussed in several official documents, but the decision to adopt it was political and therefore the president's responsibility. Especially in view of the fact that if it had been up to the PMDB, the measure would have been adopted earlier.

Ulysses also did not like Brazil's return to the IMF or the revision of recently signed decrees reducing the tax burden on capital gains. Those measures, like the end of the moratorium, are being presented by the government as indicating a sort of acceptance of its real doctrine, as though Sarney had been agreeing with the PMDB until now. As the longtime party chairman sees it, the facts prove the opposite. For example, the party did not know that the first Cruzado Plan was going to be introduced until just hours before it happened.

What lies behind this decision by the leader of the National Constituent Assembly, which he will not confirm publicly, is not so much an ideological dispute as the erosion suffered by the government. Ulysses knows that the presidential succession is going to be decided in the streets immediately after the new Constitution is promulgated if not before. The most likely prospect today is that the deputies and senators will decide on a 4-year term for Sarney, and that will precipitate the process. He also knows that if he is nominated for president without a prior break between the PMDB and the government, his candidacy will not be worth a nickel. The Federal administration's eroded image will stick to him, and then even the most perfect flights of rhetoric will not help. But a position of independence, criticism, and even opposition to the government will provide possibilities for the party to mobilize its structures. And in that case, the message is ready-made: The PMDB wants to elect a candidate who will keep his promises and achieve the ideals of the New Republic.

Ulysses recognizes that anything else will mean handing Planalto Palace over to the candidate who can show the most opposition to Sarney, even if that candidate's message is demagogic.

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**Brizola Election Strategy, Likely Military Reaction Discussed**  
*33420068b Brasilia CORREIO BRASILIENSE*  
*in Portuguese 7 Feb 88 p 4*

[Article by Luiz Carlos Maranhao]

[Text] Rio de Janeiro—To give his candidacy more broad-based appeal, former Governor Leonel Brizola

has decided to assign priority to an attempt at rapprochement with the most modern wing of the PFL and with the left wing of the PMDB, with a view to perhaps forging an alliance for purposes of the campaign to elect Sarney's successor. The former governor envisions, for example, that Severo Gomes, a PMDB senator from Sao Paulo, might be his running mate.

Brizola's economic program caters essentially to the hopes of the small and medium-size urban and rural businessmen, inasmuch as it is based on strengthening the internal market and opposes the plans of big money. To overcome the resistance to his candidacy expressed by sectors of the middle class, the PDT leader's speeches proclaim that he defends democratic institutions and urges the strengthening of the parliamentary system.

#### Alliances

To break down the political barriers that would hinder a successful campaign for Planalto Palace—lack of a unified party structure, rejection by the leading members of the industrial and financial business community, intransigent resistance from the military, limited support from sectors of the middle class—former Governor Brizola has already drafted a set of criteria for the policy of alliances which he plans to implement. Among the most notable features of this policy are maneuvers that, surprisingly, assign priority to attracting sectors of the left wing of the PMDB and the most contemporary segment of the PFL. Brizola's position as regards the PT (despite the tactical alliance that, at the moment, places him alongside Luis Inacio da Silva on the same platform) concentrates on the battle for the succession requiring a second round.

Realistically, although persisting in the effort for tactical reasons, Brizola realizes that the chances of inducing sectors of productive capital to back his bid for the presidency are remote, because of the natural association of that sector with major international sources of capital. In the business world, the economic model of a President Brizola would cater, essentially, to the hopes of small and medium-sized businessmen inasmuch as his speeches give special attention to such proposals as protecting the growth of the internal market, reducing the transfer of funds outside Brazil, cutting the cost of money, and making special lines of credit available from the banking system. The former governor is also careful to address a message to the middle class, laying aside his reputation as a caudillo who, once in power, would not hesitate to run roughshod over existing institutions and use his ability to win the support of the masses in order to impose an authoritarian government.

Brizola, embracing the working class view, considers himself as being bigger than his party—which he obviously is. That is why he does not believe that a strong party structure is indispensable for winning election to the presidency of the Republic. He believes, however, that he can and should attract to his side sectors of the

left wing of the PMDB, which includes some names of undeniable electoral influence, principally in Sao Paulo, home of the largest electoral college in the country and where his PDT is practically nonexistent. With an alliance of this sort, Brizola reasons, it would be possible to gain sympathy in certain areas of the middle class, in business circles, and even in some segments of organized labor. Senator Severo Gomes, because of his nationalist views, would be the former governor's dream candidate for vice president.

"Feasible and desirable." That's the way some of Brizola's top advisors view an apparently surprising alliance between the PDT and more contemporary sectors of the PFL for the presidential race. Therefore, Brizola would need only to soften some of his proposals, such as his call for nationalization of the banks. Agreeing with Brizola, certain segments of the PFL have taken a nationalist position and argue for a government presence in the economy.

Committed to proposals that call for the structural transformation of Brazilian society within the framework of capitalism, former Governor Brizola finds one of the strongholds of his opposition in big money circles. The growing internationalization of the Brazilian economy, the freedom to associate with foreign capital, and the export model adopted for the economy together translate into a model which Brizola opposes because he believes that, unless there is a significant change in the economic policy followed since the events of 1964, Brazil will neither redeem its sovereignty nor come to grips with the economic problems that have led to the present dramatic social situation.

The ex-governor does not, however, see multinational high finance as an adversary to be exterminated. Rather, he maintains that the State must exercise tight control over it. This distances him from the leaders of the Brazilian business world, the majority of whom have ties with foreign capital. The historical limits on the development of capitalism in Brazil prevent this leadership, which is the direct heir of PTB populism, from conceiving of the possibility of attracting to its position the so-called productive domestic capital in the manner of the 1950's. The former governor's proposals for the farm economy can be considered moderate in comparison to the demands by the farm workers who want agrarian reform.

Both his economic program and his macroeconomic vision are, basically, in line with the views of small and medium-size capital. The priority assigned the internal market, the reduction of the transfers of funds outside Brazil—not just the flow of interest payments, but remittances of profits and dividends too—and the belief that the domestic market is the foundation of the growth model, all these serve the interests of small and medium-sized businessmen. Brizola's program goes further to encompass the cutting of the cost of funds, the availability of privileged lines of credit from the banking system,

and even preferences in filling certain public sector purchase orders and a change in the incidence of social services charges—the latter would be levied on invoices instead of on the payroll.

The former governor is extremely cautious on the issue of agrarian reform. Basically, he gives the nod to the small farmer with his farm policy aimed at producing food for the domestic market, and tries to make it clear that he has rejected, in his plans for reform of the structure of land ownership, the idea of expropriating small holdings and will adhere strictly to capitalist patterns.

Whenever someone mentions agrarian reform, Brizola takes issue with the term. He prefers to talk about large-scale colonization projects to make use of idle public lands. The ex-governor believes that these can be the site of another "march to the West" along the lines of the settling of the American frontier. Brizola criticizes the position usually taken by the Left concerning agrarian reform. The former governor fears tirades from influential organizations such as the Democratic Rural Union, UDR, which through an intense crusade, gained the support of small and medium-sized landowners.

### The Military

An exhaustive research project on Leonel Brizola and his chances of being elected to the presidency (a paper given only limited distribution) was done by Ricardo Bueno, a journalist. After talking with various influential members of the military, he reached the conclusion that, although they are overwhelmingly hostile to "brizolismo", the idea of staging a coup if the president of the PDT becomes president of Brazil does not appeal to them.

The study found the only exception in the military sphere today in the relatively small group surrounding former president Figueiredo, with whom Brizola maintains good relations. The Figueiredo lobby might even be susceptible to the idea of lending visible support if that were to represent part of the actual exercise of power by a Brizola government. But the military leaders with whom the journalist spoke insist that if the PDT leader were to win, he would actually assume the presidency.

The fact that they discard the idea of a military coup does not necessarily mean that the military would stand idly by during the presidential campaign and Brizola's ascent to power. On the contrary: a strategy described as a "preventive coup" is already being developed. Using their unquestionable power to influence events, the military are going to encourage big business and top political leaders of a liberal-conservative persuasion to help in the search for a broad center-right front that would use the rules of the electoral game to block Brizola's coming to power. This strategy even calls for a

large scale mobilization of financial resources, including federal government funds, and restrictions on the ex-governor's access to television—his principal campaign tool.

The former governor is being careful in dealing with the resistance of the middle class. Brizola knows that the reservations in their minds were generated by his image as a populist and his supposed tendency to scorn the established institutions in order to gain ground with the multitudes. He plans to base his appeals on the defense of democratic institutions and the strengthening of the national legislature. Brizola will also try to convince the middle class that he is not interested in making drastic changes in the institutional life of the country because that could open rifts that could lead to a military intervention.

In his campaign speeches, Brizola will also try to appeal to those segments of the middle class by creating a reformist and modern image, and pointing to models of European social democracy—preferably that of Felipe Gonzalez, in Spain. He will also insist that rotation among parties in power is part of the democratic game in any country where the institutions operate within the context of the modern State.

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### Status, Platforms of Present Political Parties Examined

33420069 Brasilia CORREIO BRAZILIENSE  
in Portuguese 7 Feb 88 p 6

[Article by R. Nardelli, R. de Oliveira, A. Cozzolino:  
"With 28 Parties, There Is No Lack of Choice"]

[Text] There is a political party for every taste. All that is needed is to choose. Among the 22 parties which have applied for or already obtained provisional registration, there is one which bases its policy on the teachings of the papal encyclicals, another which has adopted Tancredo's "philosophy of political action," one which proposes to win back Brazilian youth, and yet another which wants to establish a municipalist system. Some have set forth rather unconventional proposals. An example is the Green Party (PV), which defends sexual freedom, "the right of the citizen to do as he chooses with his own body, and the notion that any form of love is valid and respectable." Others hark back to the past, as does the National Mobilization Party (PMM), which seeks to be "the continuation of Minas Gerais Disloyalty."

Of the 28 parties listed by the Higher Electoral Court (TSE), only six have completed final registration. Twelve have obtained provisional registry, and they will have the period of 1 year to meet the legal requirements. Another 10 are in the process of applying for provisional registration. Apart from these, three have already announced their intention to establish legal status. One

of them is made up of women. Another seeks to represent the writers and samba poets in Guarulhos, Sao Paulo. A third has the goal of continuing the "popular project which the late leader (Adhemar de Barros) was unable to complete."

With so many parties, a dispute developed about their names. The Adhemar de Barros supporters attempted to register as the Progressive Social Party (PSP), but Jose Alcides Marrozinho de Oliveira completed the legal formalities first, and now the followers of Adhemar de Barros have chosen the name Progressive Republican Party (PRP). Two groups are also claiming the name National Labor Party (PTN).

The lack of channels for processing the demands of certain segments of society, the discrediting of the existing parties, and the naivete or even bad faith of those merely seeking an easier path to winning power may explain why so many parties have been established, following a long period in which the biparty system prevailed. The law allowing participation in the 1985 elections—and subsequently in the 1986 process—for parties without provisional registration (the "enabled parties") and the possibility of coalitions has contributed to the large number of requests for registration. According to electoral court officials, none of the "enabled" parties ran on its own in the last elections. All joined coalitions.

### Short-Term Provisions

If the Constituent Assembly, meeting in plenary session, approves the 49th article of the temporary provisions of the draft constitution without amendment, it will take only 30 parliamentarians to establish a new party qualified to participate in the coming elections. In such a case, all of the bureaucratic requirements imposed on any party being established at the base level will be waived.

Just one warning to those who are dissatisfied with the present parties—they should hurry. After all, the clause included in the temporary provisions to facilitate establishment of their groups has a time limit. It will cease to be effective exactly 6 months after the promulgation of the new constitution.

With the exception of the so-called ideological party organizations, the creation of parties thanks to top leadership efforts is a part of the Brazilian political tradition. It suffices to glance at the composition of the larger party benches to see that the present party groups are no exception to this rule either.

It is for no other reason, moreover, that Brazil lacks traditional parties, the kind wherein the voter wears the party colors and takes up its causes. It is true that each of the groups has its own program, but all of this is but a mere fiction designed to meet the legal requirements. In

the majority of cases, the program provisions are nothing but abstract principles doomed to vanish as soon as the prospect of winning power is glimpsed. It is the PMDB which says this.

But what can be expected of parties created artificially? The PMDB itself, to keep to the same example, which took over from the also artificial MDB, is the product of a party reform promoted in casuistic fashion by the military regime. Its program, which former minister Bresser Pereira acknowledged publicly was archaic, is the result of a splicing designed to satisfy all of the factions which are still today sheltered under the umbrella of what was previously a front for opposition to the military regime.

As for the PDS, the twin of the PMDB, it even has a good program, even urging progressive advances such as the comanagement of enterprises for the workers. However, this program is only for show. Not even when the party was theoretically in power was there any serious thought of implementing it.

While the PMDB and the PDS, the leaders among the present parties, developed to combat and to support the military regime, respectively, they also produced an immature fruit—picked too soon, but also the result of an agreement at the top—the defunct PP of former president Tancredo Neves. It joined with the PMDB, and then subsequently withdrew, giving rise to the present PFL. This is a party which also suffers from a lack of ideology and of a real population base.

To speak of the other parties is to speak ill of Brazilian political education. What is the PDT if not the tool of a political boss for winning power? Even though the Brizola supporters have tried to give it an ideological aspect, characterized by a dark-hued socialism. This did not work, because the charismatic and authoritarian brilliance of the head man is so intense that it overshadows any effort of this sort. This is a personal project, and that is all.

The PT, for its part, is now well structured at the base level, because it arose in the wake of a worker-student movement recognized as committed. On many occasions, however, it has slid toward the same personality-oriented sin as has characterized the PDT, in connection with the former metallurgical worker and deputy Luis Inacio Lula da Silva. Or can it be that the country recognizes some other national figure in that party?

The PTB sought to develop traditionally, in the shadow of the old PTB of Getulio Vargas. Despite the efforts of the late deputy Ivete Vargas, this was a failure. Of its forerunners, the present party retains only the name. It is nothing but an orphan in search of an adoptive father. It has already tried Janio Quadros and Antonio Ermirio de Moraes, but without success.

Except for the borrowed party names (established solely to give an identity to those groups which cannot find a place in the larger groups), there remain only the so-called ideological parties. There is no need to go into an analysis of the respective programs to differentiate these parties from the others. They are not personal programs, simply because the party names have repercussions beyond the reputations of any of their members. And the people do not rally around them purely to achieve immediate and circumstantial goals, without any bond to unite them afterward, as in the case of the PMDB front committed to opposing the dictatorship.

### The Constituent Assembly

In relation to the party picture, the Constituent Assembly is functioning as a kind of divider of the waters. Until the discussion of such basic subjects as private ownership was taken up, the antagonistic groups coexisted very well within the current party divisions. But with the Constituent Assembly, everything changed.

What we see now is that ideological groups are replacing the parties. One no longer dares classify parliamentarians using only their party affiliation as a reference. Nowadays, a given politician is a rightist or a leftist, a progressive or a conservative. There is, of course, the middle path—a parliamentarian can also be a moderate or a centrist—anything at all.

The result of this situation is that the threat of explosion, as soon as the work of the Constituent Assembly is completed, hovers over almost all of the parties (especially the larger ones). As the politicians in all the parties admit, the inclination of these informal groups is toward legalization in the near future—more precisely within the 6 months of bureaucratic simplification for which the constitutional draft provides.

To mention only the most notable examples, there are at least three new groups in the process of development in the Congress. The first, based on the dissident PMDB faction known as the Progressive Unity Movement (MUP), is likely to emerge later this month. This group wants to establish the Brazilian Democratic Social Party, but it may decide simply to join the already established PSB.

The second party in the process of development was also a part of the PMDB, or of its so-called historic faction. There are about 80 parliamentarians threatening to go over to a new party and even to launch a candidate with a chance of winning the presidency of the Republic. When the ideological gale of the Constituent Assembly is over, however, it is possible that Deputy Ulysses Guimarães will succeed in keeping the group within his party—but for how long?

There is, finally, a third group being stitched together by the parliamentarians. It is a product of the modern or Shiite wing of the PFL, but it will probably only come into being if the historic faction remains within the PMDB. Otherwise, the two groups are likely to join together in a single party.

Contrary to what might appear to be the case at first glance, the internal divisions in the various parties which the clashes in the Constituent Assembly are provoking are highly salutary for the political life of the country. The expectation is that the new party picture will be more consistent after the future constitution is promulgated, with politicians being linked by doctrinary convictions instead of the circumstantial interests which prevail at present.

What might threaten this rehabilitation process is the coinciding of the presidential elections with the reorganization of the party picture. In such a case, it would be difficult to prevent the politicians from rallying around candidates who do not always represent a clear ideological option.

In order to choose the side which is most viable from an electoral point of view, not a few will quickly forget the polarization of the constitutional votes and will join with those who are their adversaries today. The result is obvious—either no party reform will emerge or the new parties which develop will be as heterogeneous as the present ones—veritable grab bags in which no individual agrees with the next.

#### Party Status

Each of the 27 political parties in the country today finds itself in one of three different situations. Legally, that is to say in the eyes of the Higher Electoral Court, the position may be the following:

Permanent Registry: Social Democratic Party (PDS), Brazilian Democratic Movement Party (PMDB), Brazilian Labor Party (PTB), Democratic Labor Party (PTD), Workers' Party (PT), Liberal Front Party (PFL);

Provisional Registry: Liberal Party (PL)—permanent registration already requested, Communist Party of Brazil (PC of B), Brazilian Socialist Party (PSB), Christian Democratic Party (PDC), Brazilian Municipalist Party (PMB), Democratic Social Party (PSD), Progressive Social Party (PSP), Social Christian Party (PSC), Renewal Labor Party (PTR), Party of the Brazilian People (PPB), Youth Party (PJ), Brazilian Communist Party (PCB);

Registration in Progress: National Labor Party (PTN)—two applications, National Mobilization Party (PMN), Humanist Party (PH), Green Party (PV), Christian Labor Party (PTC), Social Action Party (PAS), Democratic Nationalist Party (PND), National Party of Retired Persons (PNA), Democratic Party (PD).

#### Euphoria Changes to Doubt

The Progressive Renewal Party today is like a grocery store which has not done good business recently. It is still open, but no one can say for how long. This comparison was made by the regional president of the PRP, Valdemar Ferreira, himself. He is visibly discouraged about the future of the party. After the electoral failure in 1986, and lacking direction from the national leadership, the Progressive Renewal Party began to die in the Federal District. The premises occupied in the Marcia Building were replaced by the president's apartment at 102 South. For some time now no debates or meetings have been scheduled. All that remains of the PRP is a portfolio containing the files on the approximately 300 members.

"We are on hold. We are waiting for the national leadership to decide whether we should stop here or go forward," Valdemar said. The greatest difficulty in "going forward," however, is one of a financial sort. Like the majority of the other small parties, the PRP has no income of its own. "How could I pay for the headquarters?" asks the president, who owns the hall in the Marcia Building. "I moved out of there and rented the room," he says. The neighbors in the building still remember the 2 months in which the party was the tenant in Room 711. "Senator Faria was always here," one of them says. The "senator" in this case was Dopacidio de Faria, who ran for a senate seat, but lost. Few of these neighbors had heard that he had died some months ago.

#### The Day After

The party has changed and the address has changed, but the story remains the same. Of the 22 parties existing in Brasilia a year and a half ago, only 12 are still functioning with provisional or permanent registration, according to the records of the Regional Electoral Court. What happened to the others? Just like the PRP, they did not have the structure to deal with the day after, that is to say the real situation existing after 15 November 1986. Without money and without elected candidates, these parties broke up in the end, with very few exceptions. In addition, it is nothing new that many parties were organized merely to support candidates who could not win sponsorship by stronger parties. Once the election was over, however, nothing remained to link the individuals who had previously rallied to the colors of party X or Y.

Fernando Conde of the Brazilian Municipalist Party, like Valdemar Ferreira of the PRP, now has his party offices in his home in Lago Norte, while matters are pending. "The party has not ceased to exist, but we are cutting back economically," he says. "We have no money and it is not our custom to sell ourselves," he went on to explain. Aware of the difficulties in heading a small party, Conde, who ran for a senate seat in 1986, also without success, does not believe that the performance of the PMB was bad.

"We won a reasonable number of votes and the surveys showed that I was one of the favorites for the Senate," he recalls. "My candidacy was only unsuccessful because we did not have any investment capacity. We had no way to publicize our proposals for strengthening the municipalities more effectively," he says. Like the PRP, the Brazilian Municipalist Party has not held a meeting in some months. "The last time was in October. Thus we have not decided anything about the future."

In Conde's home, which served as the general headquarters for the PMB in 1986, little evidence that an electoral campaign was based there remains. One room about 9 meters square still contains some of the sound equipment used during that period, as well as some posters created to explain the municipalist proposals during the free television time. "I piled all of the rest of the material together and sold it as scrap paper," Fernando Conde, who invested more than 200,000 cruzados in the PMB, admits. "But it was worthwhile." With a certain pride, the former candidate went with the CORREIO BRAZILIENSE photographer to inspect one of the murals publicizing his candidacy in Asa Norte. "It is good to have my name here, because in this way I am always remembered," Conde said. However, he regards the fact that others have painted over some of his murals "discourteous."

While the PRP and the PMB are awaiting definitions, this is not the case with three other parties. The Community Municipalist Party has left the premises rented in the Diversoes Sul sector, and no one knows where to find its members. The situation of the Party of the Brazilian People is more curious. With headquarters located in the Eldorado Building—at least according to the TRE files—the PPB has never carried out any activities there. "There was an employee here who was dealing with this, but he went to Rio de Janeiro a long time ago," a secretary at Argus Business Advisers, Ltd, which has had offices in the Eldorado Building for years, says.

The present situation of the Democratic Nationalist Party, however, would be funny if it were not tragic. Founded in haste in 1986, its role was to provide a shelter for a dissident faction of the Nationalist Party. It nominated six senatorial candidates and 12 for deputies' seats. "But there were only five people, in fact, in our ranks," the regional president of the PND, Guilherme Jorge da Silva, who himself ran for a Senate seat, says.

"This was a frustrating experience. I do not want any more of politics," he says. "The party had no money, but it had too many bills. It was one bill after another. In the end, it was I who paid them." The "bills" came to 80,000 cruzados in November of 1986. "The premises were mine, the paper, the office staff, the xerox, the gasoline—in a word, everything," he says, disgusted. Following the election, Guilherme tried to make contact with the national party headquarters in Rio. "But it had already been closed down and we never heard anything further." According to the president, the candidates and members

in Brasilia have also disappeared. Finally, he decided to abandon the party, and he sent a statement of accounts and a notice that the PND no longer existed as a party to the TRE.

"But before that, I received various membership papers from the court. None of them were correct. Of the more than 3,000 members the candidates said they had enrolled, 80 percent were fictitious," he explained, displaying the papers returned to him. "This is not a party, it is a rat's nest," he expostulates. Apart from the membership documents, Guilherme Jorge has other souvenirs in his office—almost 2,000 PND banners which he ordered produced in order to gather funds. "But the candidates bought very few, and the merchandise didn't move."

The treasurer of the party, Aurister de Siqueira Cavalcanti (she is the wife of the president), held this post for months in which there was not a penny in the coffers. "We established a monthly fee of 1,000 cruzados, but between July of 1986 and November, we succeeded in collecting only 4,000," she says. "All of the rest came out of our pockets."

#### Another Case

The situation of the Brazilian Socialist Party, also small and without elected candidates, is more promising. After the 1986 elections, it was totally renovated. Today, according to its president, Sebastiao de Abreu, the PSB is organized in the 11 electoral zones in the Federal District, and, with the expectation that the parliamentarians in the MUP will leave the PMDB, it hopes for further growth. "We have no connection with the little party group of the past. Those who were not socialists left. There have been significant enrollments, for example from the Socialist Party, and that of former PMDB member Osmar Alves de Melo," he reports.

According to the regional president of the PSB, "There will be no more people dropping into the party with checkbooks. The opportunists have left the PSB and will never return again. Our candidates will be militant members." With about 100,000 votes in the last election, the party now hopes to join in alliances with the progressives to win the GDF. "If this is not possible, we will nominate our own candidate," Abreu says.

#### Rejection of the Old Politics

Dissatisfaction with the parties which have parliamentary representation is a point of agreement seen in the various statements by the groups in the process of organizing. In more or less categorical fashion, the basic documents of the parties being formed condemn the way in which the politicians have acted.

The Green Party, for example, defines itself as "a movement of citizens, and not professional politicians or party apparatus functionaries." This party believes that



the Brazilian people are dissatisfied with the so-called "political class" and want a "more efficient, objective and modern" type of representation. According to the PV, "The Brazilian people are tired of a physiological elite who see in politics not a way of representing the aspirations of the citizens, but a professional career, a path toward personal enrichment and individual power."

The Renewal Labor Party uses stronger language. "We have now become disillusioned and deceived by the most spurious forms of party organization, which use labor issues as a political theme to elect representatives who in the end betray the hopes of those who have cast their votes for them." The PTR says that it wants to say "enough" regarding the political methods it describes as "false and evil leadership which makes promises but does nothing."

The Youth Party also wants to put an end "to this oligarchy, this dictatorship imposed by citizens who see themselves as continuing forever in the exercise of political office." And the group which wants to be registered as the Progressive Republican Party (PRP) maintains that Brazilians should struggle "to ensure that politics is not pursued for the satisfaction of personal ambitions or motivated by self-seeking pretensions of leadership."

#### From the Sublime to the Ridiculous

The statements and programs of the parties in the progress of organization which are not so well known include both serious proposals and others which are ridiculous or absurd, as well as widely varied analyses of the situation in the country and its causes.

The Democratic Party believes that poverty, hunger and human conflict are due to the movement of society away from democracy and religion. And it blames the sufferings of man on vanity, jealousy, prejudice and ignorance.

The Social Popular Party, made up of the writers and samba poets of Guarulhos, which has abandoned the procedure in which it informed the TSE that documentation was in the process of preparation, has the support of the festive community and philanthropic bloc known as the United People of Macedo, Guarulhos, in Sao Paulo. It defines itself as a party "of the social center," urges the need for the samba to be "a matter of free initiative and free enterprise," and urges the importance of an "open political party, free of ideology and discrimination between classes or between civilians and the military."

The National Party of Retired Persons calls upon retired people, pensioners and "future inactive members of society" to close ranks and create "a constant and established voice demanding rights, putting an end to the

vacillating instability in the interpretations of the interests of certain political, social, economic, cultural and educational groups, which always use anonymity as a cloak."

The National Labor Party states that its manifesto represents the ordered thinking of Tancredo Neves, containing portions of his speeches, interviews, articles and conversations compiled in such a way as to create a testamentary letter.

The Brazilian Municipalist Party urges the establishment of the municipalist system as a method for the overall development of the country. It wants the replacement of the representative system with administrative and financial autonomy for the municipalities.

The Green Party wants to wage the battle for freedom, peace, ecology, civil rights, autonomy, self-management and alternative lifestyles.

The Democratic Social Party has as its foundation the teachings of the papal encyclicals. And it notes that "Man lives not by bread alone, for there is a supernatural life which imposes spiritual, metaphysical and moral concepts upon which we must shape our conduct."

The Renewal Labor Party has as its "basic principles" the full exercise of democracy, the multiparty system, nationalism, the Universal Declaration of Human Rights, religious freedom, social justice and world peace.

The Youth Party urges winning back the young people and the redemption of the people "to liberate the majority from the situation of poverty and misery in which they live." Among its slogans is "liberation of the Brazilian young people from this terrible process of alienation to which they have been subjected." The party says that "We cannot and we do not have the right to lose our youth to the drug traffickers or the producers of frivolous things."

The Party of the Brazilian People says that it is determined "to work from the base level to the top to bring to all Brazilians a message of faith and optimism, while at the same time issuing a general appeal so that we can do something to redeem Brazil from the deterioration into which it is sinking." It urges suffrage for the illiterate, parliamentarianism, direct election (by the people) of appellate and other judges and ministers, and demilitarization of the news services.

The Social Christian Party maintains that social and political values are being irretrievably replaced by economic interests. It advocates the parliamentary system, civic education and training programs and a multiparty system.

The National Mobilization Party believes that Brazil "is a paralyzed nation." It wants to awaken the country and set it "on the path of its grandeur." It says it is unaffiliated with any ideology and has no links with other groups, bodies or organs. It emphasizes that the political prophets and enlightened mystics point to Brazil as the cradle of a new civilization for the Third Millennium, and it accepts this prophecy and promise. It urges a moratorium, declared jointly with the countries of Latin America and the Third World.

The Progressive Republican Party gives assurance that it will be a group "in which man, without deception and without the allurements of false truths, will have a guarantee of all the rights which society owes him." It wants tax reform, the socialization of progress, and redemption of the promises of the old PSP of Adhemar de Barros.

The Humanist Party says that no system, nation, people or organization is free of crisis, and it goes on to say that "It will not be due to the action of the stars or the elements, and not thanks to diet, that nihilism, unemployment, inflation, torture, persecution, discrimination and death can be overcome in all latitudes." It wants to humanize Brazil. It rejects violence, replacement of the democratic system, the systematic and illegal use of force and the personal concentration of power.

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#### **Regional CNBB Document on Marxism; CNBB, Editorial Comment**

**CNBB Northeast Secretariat on Marxism**  
33420070 Sao Paulo O ESTADO DE SAO PAULO  
in Portuguese 26 Feb 88 p 21

[Text] Fortaleza—The Northeast I Regional Secretariat of the CNBB [National Conference of Brazilian Bishops], with headquarters in Fortaleza, placed issue No 70 of its CADERNOS PASTORAIS on sale yesterday. The publication is a 30-page study guide entitled "Theories Explaining Society." The text summarizes talks on Marxism, capitalism, and liberation theology that were delivered at a seminar held in September of last year at the request of the nine dioceses in Ceara. The seminar was attended by two bishops: Edmilson da Cruz and Geraldo Nascimento. The advisers to the seminar—Father Manfredo Oliveira, sociologist Juarez de Paula Filho, and Prof Francisco Teixeira—were also the authors of CADERNOS PASTORAIS No 70.

In the chapter entitled "Capitalist Theory of Development," Teixeira compares the three major schools of economic theory: classical, neoclassical, and Marxist. The classical school is represented by Malthus, Adam Smith, and Ricardo. Teixeira considers Marxist economic theory to be the most "comprehensive" because it analyzes the formation of capitalism and its contradictions. Marx criticized capitalism by analyzing the thinking of Smith. The last-named author, says Teixeira,

claims that "the driving force behind economic development is individual self-interest" because the latter fosters "division of labor, which leads to increased productivity" by improving worker skills, adopting time-saving measures, and making mechanization possible. Professor Teixeira's text says that Adam Smith "recognizes that division of labor may mean the destruction of man as a person and has the result of making workers imbeciles," but that Smith himself adopts a resigned attitude toward all that.

#### **Christians and Politics**

The text by Father Manfredo Oliveira warns of the danger of instrumentalizing pastoral work, which consists of "our reducing pastoral work to being simply a tool for raising people's political consciousness." According to Father Oliveira, "the best way to ensure the failure of pastoral work" is to transform it into a "political strategy." The other danger pointed to in his text is political messianism, which occurs when "faith begins solving human and political problems: we are then building Christendom, and that means retrogression." Father Oliveira points out that "as Christians, we are called to be the Christian leaven in society. But many of us look at the world through the eyes of someone living within the walls of the church... that makes it impossible to see that there is another interpretation of the world." An example of this is provided in the text by reference to some Christians who discovered politics through the church and who "tend to act in politics as they act in the church," even finding it strange that "no prayers are said at party or union meetings."

Saying that "faith is the Christian's great inspiration," Father Manfredo Oliveira asks: "To what extent does a party-political option on the part of the agents of pastoral care threaten their credibility?"

#### **Marx and Religion**

The same Father Oliveira tries to answer the question of why liberation theology is interested in Marxism. He quotes the brothers Leonardo and Clodovis Boff, who "say that when the oppressed are the issue and their liberation is being sought, we cannot ignore Marxism. It is necessary to see how Marxism interprets our society." The text makes three statements concerning the relationship between liberation theology and Marxism:

1. "In liberation theology, Marxism is always dealt with from the standpoint of the poor and with them as the starting point, not because of (Marxism) itself." In other words, "Marxism is subject to the judgment of the poor and their cause."

2. "Liberation theology uses Marxism purely in an instrumental manner. To a theologian, Marxism cannot be compared to the Gospel." Acknowledging that "Marxism is a science, and the Gospel tells us the reason

d'être of our life," the text says that Marxism is important because it draws attention to the economic dimension of history, the problem of class struggle, and the way "in which ideologies shape people's thinking."

3. "Liberation theology maintains a resolutely critical stance with respect to Marxism. Marxism is neither a wild beast nor the cure for all ills." The text again quotes the Boff brothers, who say that "Marx can be a traveling companion but never our guide."

Father Oliveira explains Marx's criticism of religion. In that thinker's view, religion is the product of a corrupt world, it reflects a false consciousness of the world, and it is "the consolation of an alienated world that casts human life into illusion... it is the opiate of the people because it hypnotizes man and destroys the strength of revolt." In Father Manfredo Oliveira's view, "Marx thus demonstrates that he is completely insensitive to religion."

The two remaining texts—by Juarez de Paula and Teixeira—deal with Marx's political theory and his economic theory. His political theory is based on the dialectical method, which teaches that everything is related and that "that which determines how societies are organized is economics." This is followed by an analysis of the major economic systems in history as well as of Lenin's and Gramsci's contributions to socialism. In the chapter on Marx's economic theory, the text begins with the distinction between value in use and value in exchange and analyzes the three stages in the development of capitalist society: simple cooperation, manufacture, and big industry. The text concludes by saying that "Marx provides a few clues for getting away from capitalism, but he does not supply models."

#### National CNBB Comments

33420070 Sao Paulo O ESTADO DE SAO PAULO  
in Portuguese 26 Feb 88 p 21

[Text] The National Conference of Brazilian Bishops (CNBB) takes no responsibility for the authorship of or the political positions taken in a document published by its Northeast I Regional Branch, based in Ceara, which accepts guerrilla warfare as a means of "gaining power." The CNBB's chairman, Bishop Luciano Mendes de Almeida, said in Brasilia that the document—whose contents were denounced by the bishop of Novo Hamburgo, Boaventura Kloppenburg, in an interview with O ESTADO DE SAO PAULO—"does not reflect the positions of that regional secretariat of the CNBB."

According to Bishop Luciano, the document cited by Bishop Boaventura was written by Father Manfredo Oliveira, a priest who works in the area covered by the Northeast I Regional Branch. Father Oliveira's article was published last year in CADERNOS PASTORAIS No 68 (first half of May 1987). According to Bishop Luciano, the article was signed. The deputy chairman of

the CNBB, Paulo Ponte, archbishop of Sao Luis, Maranhao, says that Father Manfredo Oliveira's way of connecting Christianity with Marxist theses is well known, "but that is not the tendency in that regional branch."

In the CNBB chairman's opinion, there are no problems with the publication of articles connecting Marxist positions with the church's theories. "That reflects an individual position taken by the author. He is free to express his opinion." Bishop Luciano points out that the other 67 issues of CADERNOS PASTORAIS reflect different positions taken by other people within the church, "but no one has taken the trouble to find out what was said in the other 67 issues of CADERNOS PASTORAIS published by the Northeast I Regional Branch."

Cardinal Aloisio Lorscheider, archbishop of Fortaleza and former chairman of the CNBB and CELAM [Latin American Bishops Conference], said yesterday: "The accusation by Bishop Boaventura Kloppenburg is completely unfounded and without the slightest validity."

Concerning CADERNOS PASTORAIS No 68, which was the object of Bishop Kloppenburg's charges, Bishop Aloisio said that what is expressed in that publication is not official church truth: "That issue of CADERNOS PASTORAIS compiled the debates of a seminar in which only a few people participated. In the first place, it was not the bishops who participated in that seminar. In the second place, what is expressed in that issue is a synthesis of the seminar, which was given by a professor of sociology from Rio de Janeiro." Bishop Aloisio expressed surprise that the matter should have been put before an international forum, since it was strictly private in nature.

#### Paper Comments

33420070 Sao Paulo O ESTADO DE SAO PAULO  
in Portuguese 24 Feb 88 p 3

[Editorial: "Subversion of the Catholic Hierarchy"]

[Text] The document drawn up the Northeast I Regional Secretariat of the CNBB is, above all else, proof that formal education has failed in Brazil. It also demonstrates conclusively that the scheme implemented in Central America with a view to compromising the hierarchy of the Catholic Church (and, through the bishops, the institution itself) by subverting order is beginning to gain ground in Brazil. When all is said and done, it constitutes the final piece of evidence making it more than clear that one can now talk calmly about a "Bolshevik theology," which is a confused mixture (mentally speaking) of poorly assimilated teachings concerning ecclesiology and moral theology on the one hand and the shabbiest Bolshevik Vulgate imaginable on the other. The saints must be interceding with God to forgive those who drew up the document in question ("Father, forgive them, for they know not what they do"), while Marx and Lenin must be thinking—if one can put it that way—that

a lot must have been lost in translation for all the intellectual effort they expended to wind up reduced to the drivel being published with the CNBB's "placet."

The document in question is above all simplistic—and from that standpoint, it points up the failure of formal education in Brazil, including Catholic education, which traditionally provides rigorous training at least in logically well-structured thinking. But before invalidating the document on the grounds that it is simplistic, one fact needs to be noted, and that is that it is intended for a public which only understands that kind of talk and which rejects any attempt to place the history of the church and the relationship of Catholics to the world in a more intellectualized setting. The product of defective thinking, it is intended for those brought up to think that same way. It is therefore doubly perverse and for that reason expresses a most serious phenomenon.

What we are faced with is a group of people who are openly challenging the hierarchy, and that is the aspect which should receive attention. By discussing the question of transforming the People's Movement into an ideological party (either Marxist-Leninist or Gramscian, as you will), what the scribblers in the Northeast I Regional Branch are trying to do is drag the hierarchy (pointed to as supporting anticommunism) over to the positions of the "people" and the "rank and file." "Lay cadres are the ones who must speak in the name of the church on political issues. First the layman speaks, then the bishop ratifies what was said." As though that position were not enough, the argument goes further: "The church today is still too episcopal."

What we are faced with in fact is the desire to force the hierarchy to accept the positions of the rank and file: The group is working against bishops who still prefer to be the shepherds of their flocks. That is another reason why Bishop Boaventura Kloppenburg protested the positions expressed by the Northeast I Regional Secretariat. The bishop of Novo Hamburgo doubtless has in mind the blatant theological errors into which the group is trying to lead the faithful now that, having gotten involved in the base communities and other organizations thought up by the Church of Brazil, Catholics no longer know what to do within the church. Shining clearly through the document is the tragedy of its authors: having disappeared into the jungle of the People's Movements as Christians disposed to carry the word of God to the poor, they are suddenly realizing that the Catholic Church as represented by its bishops is not carrying out the revolution which liberation theology (the theoretical weapon at their disposal for organizing the poor) proclaims. As a result, they are turning against the church and the bishops. And they intend to set up a Marxist-Leninist and vanguard political party capable of dragging the hierarchy behind it.

As innumerable trustworthy witnesses attest, that was how things were done—successfully—in Nicaragua and how they are being done in El Salvador. Actually, the

Apostolic Roman Catholic Church has no answer to the questions raised by the revolutionaries: It was not established over the centuries on the legacy of Peter to save the poor in this life. Christ never concerned himself with those questions—and there are atheists who, in analyzing Jesus' relations with the multitudes who acclaimed him on Palm Sunday and then crucified him and with the apostles, do not hesitate to point out that the change in the attitude of the masses and his betrayal by Judas are explained by their realization that Christ was telling the truth when he proclaimed that his kingdom was not of this world. The chief difference between the people of God as found in the Old Testament and the people of God referred to in the New Testament has to do with where the kingdom of God is located: to the Hebrews, the people of God are Israel; to those following the Good News, the people of God comprise—or at least this is how the matter has long been understood—all those who share in the Mystical Body in communion with the organized church under the pope's divinely endowed leadership.

All of that was ignored at the meeting in Ceara, and the result was the document in question, which lays the foundations for an ideological political party intended to organize Catholics and non-Catholics, believers and nonbelievers, for the mission of dragging the hierarchy pell-mell into the Luciferian abyss of power. What the authors of the document which so alarmed Bishop Boaventura want is power: power built on Marxist materialism and Gramsci's view of hegemony. As is well known today, that view involves the possibility of physically destroying intellectuals who do not accept the ideological party's world view. That is why revolutionary means of taking power (general strikes, guerrilla warfare, and insurrection) are normally considered alongside peaceful electoral struggle. Today's defrocked priests want to use Marxist ideology to explain exploitation and put an end to domination—as the People's Church has done in Nicaragua and the Soviet state has done in the USSR using the Orthodox Church.

The CNBB cannot say any more than it has about the atrocities of the same kind that are committed by the CIA and other enemies of the poor. It has disclosed them and taken responsibility for disclosing them. By so doing, it is acting as the secretariat of agitation and propaganda for that party whose promoters want to establish it by misusing the name of Christ and the charism of the bishops. It behooves the CNBB to respond to Bishop Boaventura, who is demanding a pastoral clarification. Not to mention the secular authorities, who have a right to inquire into this business of establishing a party which intends to take power by insurrection and guerrilla warfare.

### Angola Negotiates Secret Purchase of Weapons

33420057c Sao Paulo FOLHA DE SAO PAULO  
in Portuguese 28 Jan 88 p A-8

[Article by Roberto Lopes]

[Text] Brasilia—The socialist government of Angola is secretly negotiating the purchase of a large shipment of arms from Brazil. During the first 2 weeks of January, a personal emissary of the Angolan minister of defense, Pedro Maria Tonha, visited representatives of the Brazilian arms industry along the Rio de Janeiro-Sao Paulo corridor and organized a series of visits which agents and officials of those firms are now making to Luanda (the Angolan capital) to sell their products.

FOLHA DE SAO PAULO has learned that Jose Antonio Pires Goncalves, brother of the Brazilian minister of Army, General Leonidas Pires Goncalves, left for Angola early last week. Jose Antonio has worked in the past as a representative of such firms as Bernardini (tanks and guns), MOTOPECAS (which designs and modernizes armored vehicles), and Taurus (light weapons).

During his visit to Brazil, the emissary of the Angolan minister of defense explained that the Soviet and Cuban military aid which Angolan troops are receiving to cope with the guerrilla warfare being carried on by UNITA (National Union for the Total Independence of Angola) has been insufficient for equipping their infantry and tank units adequately. The Angolan envoy said that his country's Armed Forces needed tanks, ammunition, and communications equipment, among other things. The firms that will negotiate with Angola include Bernardini (which sold 200 106-mm guns to the Libyan Army last October), Britanite (which manufactures explosives and land mines), and Maco (a company in Rio de Janeiro which uses Italian technology intended for the textile industry but which has now offered a heavy mortar—to be mounted on vehicles—to the Brazilian Army).

### Ambassador Surprised

When contacted in Brasilia last Monday afternoon, Angolan Ambassador Francisco Romao expressed surprise at the news. "All I know about are the negotiations concerning a new economic agreement between Angola and Brazil," said the ambassador. He was referring to a mission of experts from his country's Ministry of Finance who will arrive in Brazil this Saturday to begin talks on a new line of credit—estimated at \$150 million—which the Brazilian Government intends to grant to the Angolan Government. If those talks are successful, Angola will send its minister of finance, Augusto Teixeira de Matos, to Brasilia.

The granting of Brazilian credit to the Angolans is the direct result of Brazil's decision to double its import quota on Angolan petroleum (from 10,000 to 20,000 barrels a day). This strengthening of economic and financial relations between the two countries comes less

than 2 months after President Jose Sarney received Angola's minister of planning, Antonio da Silva (whose position is equivalent to that of the minister-chief of Brazil's Planning Secretariat of the Presidency), at Planalto Palace. But the high point of that rapprochement is scheduled for the last week in March, when Sarney is to make an official 48-hour visit to Luanda. On Monday morning, Romao was at the Brazilian Ministry of Foreign Affairs to deliver his government's initial proposal concerning a date for that visit: between 28 and 30 March.

### "Package"

During his travels around Rio de Janeiro and Sao Paulo, the Angolan emissary was constantly accompanied by a Brazilian middleman who had offered his services in organizing a "package" of firms capable of supplying Angola. Bernardini is interested in selling the Angolans its Tamoio-3 tank, a 30-ton armored vehicle with a 105-mm gun, an infrared vision system for night combat, and equipment for suppressing the effects of explosions and fires inside its turret. The Tamoio is also being offered to the Brazilian and Ecuadorean Armies.

The Angolan Army seems very interested in communications equipment and will have to choose between conventional equipment (which Brazilian firms have been manufacturing and exporting since the 1970's) and radios with so-called frequency hopping—that is, radios equipped to resist enemy interference (one of the methods used in what is known as electronic warfare). Angolan troops are equipped with a few dozen Soviet-made T-54 and T-55 tanks along with armored vehicles for transporting small infantry detachments. Some of their operations—in the southern part of the country—are conducted jointly with Cuban Army contingents. In the second half of last year, the Brazilian firms of Norberto Odebrecht (a construction firm) and ENGESA [Specialized Engineers, Inc.] (which manufactures armored vehicles) decided to join together in bidding on a major contract from the Angolan Government for supplying and maintaining trucks and utility vehicles and building nine coastal radar stations.

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### Arms Exports to Middle East of Growing Concern to French

33420068c Rio de Janeiro O GLOBO in Portuguese  
21 Feb 88 p 31

[Report by Any Bourrier]

[Text] Paris—Reactions against the increasingly active presence of Brazil on the international armaments market are not limited to the threats from the U.S. Government. Exports of Brazilian war materiel to the Middle East are a matter of grave concern in the eyes of French authorities. France is the world's second largest arms seller.

Grossing about \$10 billion annually in that area since the beginning of the 1980's, the French defense ministry takes a pessimistic view of its exports, which fell by more than 50 percent in 1987, i.e., they totalled only \$4.5 billion.

The countries which reduced their purchases of French war materiel are located in exactly the geopolitical zone where the Brazilian firms are expanding their exports, i.e., the Middle East, mainly Libya and Saudi Arabia. Recently, French Finance Minister Edvard Baladur reacted with displeasure with the news that the Saudis had decided to buy 1,200 Brazilian Osorio tanks rather than accept the offers of Leopard and AMX tanks from Germany and France, respectively.

Although French defense ministry sources play down their competition with Brazil in the weapons area, it is undeniable that the loss of markets for items not featuring the latest technology has been decisive in influencing French officials to seek a way to invigorate the country's military equipment industry.

The day before yesterday in Paris, Ministers Andre Giraud of Defense and Michel Noir of Foreign Trade met with 200 industrialists from the sector. The sole purpose of the ultrasecret meeting was to discuss what immediate steps might be taken to reverse the trend.

Among the most significant are the ministerial plans to create a special insurance plan to help medium-sized companies to win new markets, and a move to put restrictions on bureaucratic requirements for prior authorization of armaments exports. Minister Giraud also suggested that French military missions overseas should give the businessmen every possible assistance.

The negotiations for the sale of technology and components for the building of French Aerospatiale helicopters in Brazil by Helibras, to begin within the next several days, are another indication that France plans to be more aggressive in the armaments market, and in its competitor country too. The \$250 million contract for the manufacture of 52 Ecureil and Dauphin-2 helicopters, the result of a competition won by a consortium of British, Germans, Rumanians, and French, led by Aerospatiale, is termed "a victory" by spokesmen for the company.

Despite providing Brazil only with the manufacturing technology and spare parts for the Dauphin-2, since Helibras is already making the Ecureil, Aerospatiale is satisfied with this success in the weapons area, since the Dauphin is a troop transport and military maneuver helicopter.

Aerospatiale spokesmen also believe that "the outlook is good" for the financing of the \$250 million helicopter sales contract, since both the banks and the French

Government are thought to be willing to participate in the financial plan despite the fact that Brazil's accounts with the Paris Club continue under moratorium.

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### **Recent Cases of Disciplinary Actions Among Military Surveyed**

*33420062a Sao Paulo VEJA in Portuguese  
10 Feb 88 p 28*

[Text] In March, when Jo Soares' new program airs on the Brazilian Television System, TV viewers will be introduced to a new funny character; the general in pajamas. Since last week, Gen Francisco Torres de Melo of Ceara has become the anticipated incarnation of Jo's character. While in active service, Torres de Melo became known for his action in the 1977 takeover of the Pontifical Catholic University of Sao Paulo when he was still a colonel and commanded the state's military police. Having retired to the Reserves and "pajamas", Torres de Melo is carrying out a 30-day prison sentence for making an apocalyptic public declaration last week. With references to Lenin, Fidel Castro and Voltaire tempered with denunciations of fraud in the vestibules, the general wrote: "Brazil is already in the midst of a great march toward folly and incompetence is leading it toward social revolution." A proclamation that clashes with what he used to say when he wore the uniform. A year ago, during a change of command ceremony, the general rattled off praises for the president of the Republic and First Lady Marly Sarney. In his recent proclamation, Torres de Melo states that "men in leadership positions lose their sense of dignity and hole up in the club of power flattered by the mediocre and the hangers on."

The general's declaration contains the same things as the other five letters published by reserve officers. All of them arguably support Capt Luiz Fernando Walther de Almeida who commanded 50 men in the takeover of the Apucarana (Parana) city hall in October 1987 under the pretext of fighting for better salaries. The captain was condemned to 3 years of prison, which excludes him from the army. Thus, the armed forces became the only public institution to punish one of its members, in record time, for having committed a crime.

"People are saying that Gen Torres de Melo is crazy," says Senator Virgilio Tavora (PDS-CE), a reservist. "However, he knows very well what he is doing." For now, the outcome of protests such as the general's have resulted in three retired officers serving 20- to 30-day disciplinary prison sentences. They are: Lt Col Artur de Freitas Torres de Melo, the general's brother; Torres de Melo himself (both in Ceara) and Capt Luiz Carlos da Costa in Bage, Rio Grande do Sul.

### **Insufficient Proof**

Along with the debate concerning the captain from Apucarana, there is also the confusion being cooked up in the pot of military uneasiness. It is the lawsuit

involving Gen Newton Cruz, who is the accused in the assassination of journalist Alexandre von Baumgarten in 1983. "Newton is being unfairly treated," says Senator Jarbas Passarinho, a colonel in the Reserves. "They want to condemn him to prison for political reasons," adds Passarinho. A new element in this already heated scenario appeared last week. The newspaper LETRAS EM MARCHA, which sides with the government opposition after having been an elegant honor guard of the dictatorial regime, published on its first page an article entitled "J'Accuse" in which it compares Gen Newton Cruz's case with that of the French officer Alfred Dreyfus. In the first part of this century, Dreyfus was accused of espionage and after a trumped-up trial, ended up imprisoned in French Guyana where he lost all of his teeth.

The first similarity with the Dreyfus case and the case of Gen Newton Cruz lies in the fact that the judges in both cases received insufficient proof to continue with the trial. Based on the testimony of Claudio Polila, who is unemployed, and forgetting the fact that the boy is mentally incompetent, Judge Carlos Augusto Lopes Filho, of Rio de Janeiro, wants the Brazilian general to sit in the dock. The other similarity suggested in the article is more interesting. In the Dreyfus case, the French minister of war, Augusto Mercier, and the most important person in French intelligence, Jean Sandherr, knew that the real culprit was another officer, Walsin-Esterhazy. This leads to the hypothesis that, through analogy, both Gen Leonidas and Gen Ivan de Souza Mendes, head of the SNI, are in a position to resolve the Baumgarten enigma.

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### **Reasons for Improved 1987 Trade Balance Discussed**

#### **Transport Items Lead List**

33420058a Sao Paulo GAZETA MERCANTIL  
in Portuguese 20 Jan 88 p 1

[Article by Cristina Borges]

[Excerpt] Brazilian exports totaled \$26.213 billion in 1987, close to the record \$27 billion, set in 1984. Playing a major part was the category of transport materials (automobiles, parts and components, CKD and cargo vehicles), with exports amounting to \$2.78 billion, exceeding official estimates. Imports came to \$15.061 billion, a 7.24-percent increase over 1986.

Announcing the trade balance figures yesterday, Namir Salek, director of CACEX (Foreign Trade Department of the Bank of Brazil), reported that Brazil purchased \$3.85 billion worth of petroleum, which was largely responsible for the increase in imports last year.

The profile of imports changed in relation to 1986, when the country spent \$1.5 billion on food purchases abroad. In 1987, this spending was transferred to imports of

capital goods, which increased 20 percent over the previous year. The settlement with the foreign creditors, ensuring the entry of new money, "is vital to the expansion of imports, forecast at 15 percent in 1988," Salek declared.

The CACEX director predicts a trade surplus of \$10.5 billion in 1988, with \$28 billion in exports and \$17.5 billion in imports. The list of products for export to the United States, Brazil's principal trading partner, will be diversified, with the inclusion of electronic items, Salek added.

The CACEX director was optimistic about the decision to be reached by the U.S. Government regarding retaliation against Brazilian exports. Salek believes that MICROSOFT will withdraw its charges regarding a Brazilian-made copy (the reason for the threatened trade sanctions) if the special Secretariat of Informatics (SEI) approves MICROSOFT's more sophisticated computer program. However, the U.S. reprisal against Brazil's informatics policy has already cost EMBRAER [Brazilian Aeronautics Company] \$30 million in losses with the suspension of [U.S. imports] of the company's planes last December.

#### **Manufactured Products**

33420058a Sao Paulo GAZETA MERCANTIL  
in Portuguese 20 Jan 88 p 3

[Text] Exports of manufactured products from January to November 1987 increased 15.4 percent over the same period in 1986, according to data from the Foreign Trade Foundation (FUNCEX). Compared to the same period in 1984, considered by FUNCEX as the best year for foreign trade, there was a negative growth of 1.8 percent. In relation to 1985, which the Foundation considers the ideal year on which to base a realistic analysis, 1987 showed a growth of 6.8 percent.

The manufacturing sector has shown constant growth in relation to total foreign sales. In 1987, the sector accounted for 56.2 percent of this total, or 1.2 percentage points above the 1986 figure of 55 percent. Contributing most to this increase were transport materials, including vehicles and automotive parts. With 2.53 billion cruzados in sales from January to November 1987 (19 percent of the 13.37 billion cruzados in sales of all manufactured products), the transport sector showed a growth of 87.2 percent over the same period in 1986, of 134.9 percent over 1985 and of 108.1 percent over 1984.

FUNCEX attributes this growth of the transport materials sector in 1987 to the delivery contracts signed in the United States and the Middle East, to the competitiveness of the national product in relation to Brazil's competitors (Korea and East Europe) and to the market diversification promoted by companies in the sector. Another important factor was the declining demand on the domestic market, which led the industries to look to the foreign market.

Because of the atypical nature of 1986, several sectors went in the other direction, seeking to meet the domestic demand. When that demand fell off in 1987, such sectors as the textile, shoe and steel industries had difficulties resuming exports; the steel industry exports from January to November 1987 declined 17 percent in relation to 1986.

### Trade Surplus Up 33.75 Percent

33420058a Sao Paulo GAZETA MERCANTIL  
in Portuguese 20 Jan 88 p 3

[Article by Cristina Borges]

[Text] The \$11.152 billion trade surplus in 1987, up 33.75 percent from 1986, reflected the recovery of exports in the second half-year. Contributing to the final result was the \$1.097 billion surplus in December, with \$2.437 billion in exports and \$1.34 billion in imports. For the same month in 1986, the balance showed a deficit of \$215 million.

Manufactured products represented 70 percent of Brazil's exports last year. This category earned \$18 billion in foreign exchange, up 20.68 percent from 1986. Leading the list were transport items, with \$2.78 billion in exports, followed by the soybean complex (whole grain, meal and oil), with \$2.4 billion, and coffee, with \$2.1 billion in exports. "The performance of the automotive industry exceeded the most optimistic predictions," said Namir Salek, director of the Foreign Trade Department (CACEX) of the Bank of Brazil.

Salek noted the need of new investments for the growth of foreign trade, pointing to agroindustry as the sector which "responds most rapidly; with new investments, exports of agricultural products could double in 3 years," Salek said. Other important sectors contributing to the expansion of Brazilian exports are cellulose, steel and aluminum.

"Investments in these areas are slower to show a return, but they must be made, because there is a foreign market for these products," Salek stressed.

CACEX foresees a 30-percent increase in soybean exports this year, given estimates of a bigger crop this year than in 1987. Prospects for foreign sales of orange juice are good, Salek said. Based on prices from January to December 1986, the price per ton increased from \$850 to \$1,600. Exports are expected to increase 15 percent, earning \$1 billion in foreign exchange.

Salek added that the project to simplify export procedures is near completion; it covers 3,000 products which will not have to be cleared through other government agencies. "We are going to do away with the 'stations of the cross' of the rubber stamp," Salek said.

The textile, metalworking, graphics and communications sectors accounted most for imports last year. The 15-percent growth in imports in 1987 can be laid primarily to machinery and equipment. "We need new money to finance imports of capital goods, which are costly," Salek said, emphasizing the need for a suitable accord with foreign creditors.

The CACEX director pointed to tax reform, along with the exemption from the IOF [Financial Operations Tax] and the negotiation of the foreign debt as relevant instruments for increased imports. "We must have done with the endless protection, which is prejudicial to small and medium companies, and make tax exemptions the exception," Salek said.

06362/9738

### PETROBRAS Reports Year-End Increase in Oil, Gas Reserves

#### Year-End Figures Announced

33420058b Sao Paulo GAZETA MERCANTIL  
in Portuguese 20 Jan 88 p 1

[Article by Fatima Belchior]

[Text] PETROBRAS [Brazilian Petroleum Corporation] closed out 1987 with proven petroleum reserves of 2.55 billion barrels, up 8 percent from the volume computed at the end of 1986. Natural gas reserves rose from 100 billion cubic meters to 105.3 billion cubic meters.

The increase in oil and gas reserves was announced in Rio de Janeiro by PETROBRAS president Ozires Silva, who gave an accounting of the company's activities in 1987 and outlined goals for 1988. Brazilian petroleum production did not keep pace with the increase in reserves; production fell from 593,000 barrels per day [b/d] to 590,000 b/d. During 1988, production is expected to reach 613,000 b/d—the volume planned for 1987. Natural gas production increased from 15.5 million cubic meters to 16.3 million cubic meters per day.

During 1987, PETROBRAS drilled 160 exploratory wells, with a 34-percent success rate (the world average is from 10 to 20 percent), which assured new discoveries of oil and gas. On the coast of Rio de Janeiro, the Campos Basin, where oil reserves came to 1.5 million barrels, contributed most to the expansion of reserves. The Bahian Reconcavo [coastal plain], the country's traditional oil and gas producer, was primarily responsible for the increased reserves of natural gas.

The figures announced yesterday by Ozires Silva did not include the preliminary estimate of 5 billion barrels of oil for the deep waters of the Campos Basin or the 150 million barrels estimated for the regions on the banks of the Urucu River, in Upper Amazonas.



### Reserves Up 8 Percent

33420058b Sao Paulo GAZETA MERCANTIL  
in Portuguese 20 Jan 88 p 11

[Article by Fatima Belchior]

[Text] PETROBRAS ended 1987 with proven oil reserves of 2.55 billion barrels—8 percent more than the 2.29 billion barrels computed at the end of 1986. Natural gas reserves also increased from 100 billion cubic meters to 105.3 billion cubic meters.

The announcement was made yesterday in Rio by the president of PETROBRAS, who gave an accounting of the company's activities in 1987 and outlined the prospects for this year. The Campos Basin on the rio de Janeiro coast, the "potiguar" basin, in Rio Grande do Norte, and Bahia were the three areas which contributed most to the growth in oil reserves. Bahia's land basin played a significant part, contributing 5 billion cubic meters to the expansion of the petroleum [as published] reserves.

National petroleum production did not keep pace with the increase in reserves. Last year, Brazil produced an average 590,000 barrels of petroleum per day, a slight drop from the 1986 figure of 593,000 b/d. Problems in obtaining long-term credit to pay for imported equipment, strikes by the divers, unfavorable weather conditions and a shortage of resources led to a reprogramming and postponement of some production projects.

Natural gas production reached 16.3 million cubic meters per day, as against 15.5 million cubic meters in 1986, or a 4-percent increase. As a result of the completion of some work on infrastructures, the rate of utilization of the gas rose from 79.8 percent to 83.7 percent. This percentage should go up in the first 6 months of 1988, with the completion of the Rio-Sao Paulo gas pipeline.

Ozires Silva admitted that, given the figures established this year for the company's investment budget, there is a risk of a decline in oil production. The goal is to reach production of 613,600 b/d, the same goal that was planned for the end of 1987. According to the initial projections, this year PETROBRAS will invest \$2.2 billion, of which \$1.5 billion will be spent on exploration and production. The comparable figures in 1987 were \$2.6 billion and \$2.1 billion, respectively.

"I view these figures with great concern, but we have to limit our spending to the company's earning capacity," Silva commented. Today, he is meeting in Brasilia with Aureliano Chaves, minister of mines and energy. The meeting, which was called by the minister, will take place at a time when the state company is cutting back on investments (the "holding" and its subsidiaries asked for a budget of \$4.9 billion, but, according to the Secretariat for Oversight of State Companies, with their capital flow, they could invest \$2.8 billion) and on the eve of the

meeting of the CNE [National Energy Commission], Silva did not say what PETROBRAS would propose at this meeting, which will deal with petroleum derivative and alcohol prices.

The PETROBRAS figures for the 1987 year-end balance are critical, however; on 31 December, its debt to the National Development Fund, generated by the non-collection of the compulsory gasoline tax, was 47 billion cruzados. Credits with the public customers for derivatives totaled 30 billion cruzados and credits with the CNP (National Petroleum Council) from the petroleum account and the alcohol account came to 23 billion cruzados. According to Silva, in 1987 PETROBRAS paid 80 billion cruzados in taxes and 13 billion cruzados in royalties for oil and gas production.

### [Box, p 11]

PETROBRAS is now paying market prices—currently about \$16 per barrel (FOB)—to half of its petroleum suppliers, who, together, account for 600,000 barrels per day. The price in effect for the other suppliers is still \$18 per barrel, as established at the last meeting of the Organization of Petroleum Exporting Countries (OPEC).

The information came from PETROBRAS trade superintendent Artur Carvalho, who took part yesterday in the press conference with Ozires Silva, president of the state company. In 1987, the average price (FOB) paid by PETROBRAS to its suppliers was \$16.99 per barrel. This year, the company's forecasts indicate an average price of \$16 per barrel.

This estimate is preliminary, however; according to Cargalho, the petroleum market is not definite enough to permit a more precise analysis. It is expected that prices will settle at about \$17 per barrel by May, with a slight increase later as a result of increased demand.

This year, PETROBRAS imports should remain at about 600,000 barrels of oil per day, with exports of derivatives at about 50,000 barrels per day. These figures reflect a rise in consumption of about 3 percent—in 1987, consumption came to 1,114,000 b/d of derivatives—and an average production of 613,000 b/d, thus higher than last year.

PETROBRAS ended last year with net expenditures of foreign exchange (crude oil imports less exports of derivatives) of \$3.07 billion, as against \$2.2 billion in 1987 [as published]. Purchases of oil and derivatives came to \$ [?] billion, and sales of derivatives generated receipts of \$1.1 billion, \$800 million of which were gasoline receipts.

06362/9738

### Oil Firms' Loss of Interest in Risk Contracts Discussed

33420063 Sao Paulo EXAME in Portuguese  
27 Jan 88 pp 24-27

[Article by Suely Caldas: "High Risk and Not Much Profit"]

[Text] In possession of a special authorization granted by President Jose Sarney this past 6 January, Texaco Exploration Brazil Company has accomplished the feat of being the only company to modify the terms of the risk contracts which were defined 12 years before at the time of their creation by then-President Ernesto Geisel. It has also managed to revive the old discussion concerning whether or not these contracts are proper, just when the Constituent Assembly is about to decide the question of their survival.

Authorized on 9 October 1975 by ex-President Geisel, the petroleum exploration contracts containing risk clauses faced heavy fire from several areas of society, which saw in them a serious threat to the sacred state petroleum monopoly. On the other hand, the contracts awakened the interest of the multinational corporations and even some Brazilian companies, which ran to Petrobras to get themselves qualified to prospect for petroleum in various locales throughout the country. The high point of the risk contracts occurred in 1982, when 16 private companies were drilling 29 wells and were maintaining seismic soundings in 17.8 km.

From that point on, however, either the companies began to lose interest in the areas offered to them, or Petrobras itself began to discourage the signing of new contracts. The bottom line of that period shows the situation clearly. Exploration in Brazil did not show rapid and satisfactory results, such as those obtained in the Middle East or in the North Sea.

### ESSO Out

In the last 12 years, 43 national and foreign companies have been trying to find petroleum in Brazilian territory, drilling 182 wells, with total investments of 1.7 billion dollars. Today, however, just 11 companies are active in areas that correspond to just 9.9 percent of the potentially petroleum-bearing regions—Petrobras has 40.4 percent, and the remainder is not being explored. Of these 11 firms, 6 are Brazilian: Azevedo & Travassos, Paranapanema, Andrade Gutierrez, Tratex, Enterpa and Civilia Petroleo. The other 5 are foreign: Texaco Bua, Texaco Canada, British Petroleum, Pecten and Idemitsu.

Even more discouraging are the concrete results of that bottom line. Just two companies—Azevedo & Travassos and Pecten, which is a subsidiary of the Shell group—have found oil and natural gas in marketable conditions.

Esso, which ended up investing \$263 million in 20 areas without discovering a single drop of oil, gave them all back to Petrobras in 1985 and abandoned its prospecting activities. Its board justifies the decision by the lack of interest in the available areas, which are not very promising, and, consequently, offer diminished possibilities of return on investment. Petrobras itself recognizes where those criticisms come from. "The risk regions were very carefully selected, so that Petrobras would end up with the areas with the best potential," admits Luis Antonio Nascimento Reis, the state firm's superintendent of exploration contracts.

### Revised Contract

Although it has some rather peculiar aspects, the Texaco case also illustrates the current state of mind of several multinational corporations concerning the results of the risk contracts. Approximately 1 year ago, since the home office asked for an agreement in New York to get out of an \$11 billion judicial compensation which it owed to Pennzoil, Texaco began to propose to Petrobras the reduction of its investments on the island of Marajo (Para), where there were indications pointing to the presence of petroleum. Only now, however, has the board of directors of Petrobras decided to consult the General Advisory Board of the Republic, receiving a special authorization from the consultant himself, Saulo Ramos, with the approval of President Jose Sarney, to alter the contract. According to Nascimento Reis, of Petrobras, that authorization does not establish a judicial precedent and is applicable only to Texaco.

The changes are still being negotiated by the two parties involved, but the basics have already been established. Of the 10 contracts that it holds in Marajo, Texaco will transfer 8 to Petrobras. In case the state monopoly should discover oil in that area, Texaco will continue to be remunerated, receiving half of what it would have had the right to if it had assumed the investments all alone. That remuneration is calculated based on a variable percentage (30 percent on the average) applied on the international price of petroleum, and is valid for 15 years starting from the beginning of commercial production.

### Pecten Confident

For obvious reasons, Texaco is not adding to the criticisms of the conditions offered by Petrobras to the contracting companies, although it is not admitting that abandonment of most of its work in Para is due to the financial difficulties at company headquarters either. Paulo Kastrup Netto, a Brazilian lawyer who occupies the vice presidency of Texaco in Brazil, explains laconically: "The agreement is purely technical."

Pecten, a subsidiary of the Shell group, is also satisfied with the contract signed with Petrobras. In this case, the reaction is fully justified, because Pecten is one of the few companies that has had a successful experience. Its general manager in Brazil, D.G. Godfrey, who is an

American, considers that the discoveries of natural and condensed gas—oil was not found—in the Merluza field, which is located in the Santos basin, have totally compensated for the investments of \$370 million poured into explorations in Brazil. Pecten has already had 24 contracts, but it now has only 2 in force. In both of these, Petrobras concluded that commercial exploitation was viable. Smiling over the results of the exploratory stage, Godfrey is confident that commercial production will begin in 1991. Only then will Pecten begin to recoup the 70 million dollars that it has invested just in the Merluza field and to be remunerated in the first 15 years of production.

### Void

Unlike most of the private companies, Petrobras has been successful on its various prospecting fronts, especially in the Campos basin, which is now responsible for half of Brazil's production of 600,000 barrels per day. And that reinforces the arguments that the areas available for risk contracts are "really risky." In the case of Marajo Island, where Texaco is operating, Petrobras itself concedes that it has never been interested in that region precisely because it is a very high risk area, even though the superintendent of exploration contracts, Nascimento Reis, thinks that this lack of interest is a mistake and intends to correct it from now on. "If we do not move in to fill the void that Texaco will leave in that area, another company will," he warns.

Actually, the high degree of risk of the areas handed over by Petrobras to the private companies should not be very surprising or even controversial. At the time of their creation, one of the arguments most used by Petrobras to refute the attack of the nationalist sectors was precisely the fact that the State would reserve the most promising areas for its own operations. In addition to that, Petrobras insists on stressing the fact that only those who work with intensity and persistence get good results. Nascimento Reis recalls that, from 1950 until the discovery of Campos, in 1974, the National Petroleum Council (CNP), and later Petrobras, drilled 185 "absolutely dry" wells. In the last 10 years, however, the state monopoly has found oil in several regions, mainly in Campos (Rio de Janeiro), in the Northeast, and in Amazonia.

### Disagreements in the Government

In spite of all its official pronouncements, Petrobras has not exerted itself in favor of risk contracts either. The last ones were signed more than 2 years ago, when former Minister Helio Beltrao was still the president of the company. At that time, within the state-run company's own board of directors, there was no consensus regarding continuing the risk contracts. Later, shortly before the installation of the Constituent Assembly, Minister of Mines and Energy Aureliano Chaves determined that Petrobras should not sign any new contract until such time as the new charter should be ready.

In fact, Aureliano Chaves has no sympathy for risk contracts, precisely because up until now companies have had very little interest in them. If it depended on his opinion, risk contracts would only be permitted in reciprocal arrangements with companies from countries that allow Petrobras to prospect for petroleum within their borders. The current president of Petrobras, Ozires Silva, views the matter from quite a different angle. He argues that Brazil should not isolate itself on the international stage, and, even more, that Petrobras, with its serious limitations of resources to carry out investments, can not afford to scorn foreign help in discovering petroleum.

The bill of the Systematization Committee of the Constituent Assembly simply does away with risk contracts. But the tendency is that the proposal of the Big Center, which preserves risk contracts under the conditions now in force, will win out in the end in the plenary session. Everything leads one to believe, however, that the decision of the Constituent Assembly alone will be insufficient to revitalize risk contracts. In an international scenario of difficulties, even the solid multinational corporations in the petroleum area are becoming ever more selective in their investments, and, judging from the past 12 years, Brazil is not one of the most attractive alternatives.

### [Box] The Heavy Impact of the Decision

On a Thursday night, 9 October 1975, former President Ernesto Geisel solemnly announced to the country on national television that his government had decided to authorize the establishment of contracts containing risk clauses with both national and foreign companies for petroleum exploration. On the morning of that same day, in a meeting that lasted 3 and 1/2 hours, all the government ministers expressed their opinions concerning these controversial contracts. Only Azeredo da Silveira, from foreign relations, and Severo Gomes, from industry and commerce, disagreed with the official decision.

### MDB Divided

Led by former Minister of Mines and Energy Shigeaki Ueki and by the then-senator of the former Arena [National Renewal Alliance], Jose Sarney, the contracts' defenders argued that Brazil urgently needed the help of foreign companies to expand oil exploration. Sarney went even further: He went so far as to propose to Congress the granting of productivity prizes to the contracting companies.

Those who opposed the contracts stated that the risk contracts violated the state monopoly in petroleum exploration and threatened the country's sovereignty. The former MDB [Brazilian Democratic Movement] split over the question: While Orestes Quercia and Saturnino Braga agreed with the contracts, Franco Montoro and Pedro Simon condemned them. One year later,

on 1 October 1976, British Petroleum, the English state company, became the first private company to sign a risk contract with Petrobras, to explore an extensive area in the Santos basin (Sao Paulo).

#### [Box] A Brazilian Success Story

The temptation of profits churned out by the money-generating business of petroleum seduced many Brazilian companies when Petrobras extended to them the possibility of participating in risk contracts in 1981. But only 2 out of the 29 that Petrobras considered to have the managerial, financial and technical capacity for the job actually got as far as signing a contract. And now, only one of them—Azevedo & Travassos—is still in the field. The other one, Camargo Correa, was not successful. Bernardino Mendes Pimentel, the president of Azevedo & Travassos, states: "We opted for a really risky diversification and we succeeded."

In 1982, when it signed the first six contracts (the following year it signed four more), the company was just a middle-sized construction company, in spite of its 60 years of activities in the country. It was better known for projects such as the subway or the Imigrantes Highway in Sao Paulo. Now it is a leader in the petroleum sector. Its production beginning in the second semester—when the promising field of Ponta do Mel, in the Potiguar basin in Rio Grande do Norte is approved—will surpass 2,000 barrels per day.

Ponta do Mel is the third Azevedo & Travassos field to go into operation. It was preceded by the fields of Redonda, in production since 1984, and Serra Vermelha, in operation since 1985—both of which are also on the coastline of Rio Grande do Norte. Of the four fields designated in the 10 contracts signed with Petrobras, only the one at Monte Rosado, which is being explored jointly with Paranapanema, is not yet producing.

#### Three Companies

Although it still has a long testing phase ahead of it to evaluate the wells, the company has already gotten "a small return" on investments with the accumulated production of almost 200,000 barrels, up to the end of last year. And the prospects are encouraging. "Before the end of this year, we will enter a period of greater profitability," Pimentel predicts.

Azevedo & Travassos, which billed 1.2 billion cruzados in 1987, has already invested \$27 million in activities linked to petroleum, and is reserving another \$10 million for this year. At Petrobras's demand, it created Azevedo & Travassos Petroleo, with a minority participation by Paranapanema, to operate specifically in the area of petroleum exploration. Also along with Paranapanema, it set up the Potiguar Drilling Company, which specializes in the drilling of very deep wells. It also put into operation Azevedo & Travassos Industrial, which produces heaters for the petroleum area.

With the drilling of almost 70 wells, ranging in depth from 800 to 3,000 meters each, Azevedo & Travassos has accumulated technology in a field where it says it faces no competition from other private Brazilian companies. "In Brazil, we are the only ones who have the capability of drilling a closed well, that is, with all operations," Pimentel claims.

9895

#### IBC Projections Down for 1988-1989 Coffee Crop 33420058d Sao Paulo GAZETA MERCANTIL in Portuguese 27 Jan 88 p 16

[Text] Yesterday the Brazilian Coffee Institute (IBC) released the first estimate for the 1988/1989 coffee crop: 20.7 million 60-kg sacks. This is 40.8 percent smaller than the 1987/1988 crop, which was 35.2 million sacks. The IBC predicts that Minas Gerais will continue to lead production and should harvest 8.3 million sacks of coffee.

According to the IBC's preliminary data, Espirito Santo will come in second, with a crop predicted at 3.8 million sacks, followed by Sao Paulo, with 3.4 million sacks, Parana, with 2.5 million sacks, and Bahia, with 1.2 million sacks; the remaining states combined should produce 1.5 million sacks. The IBC crop estimate is only preliminary and could be revised in accordance with weather conditions and at the time of flowering.

The IBC also announced the figures of the OIC (International Coffee Organization) regarding exports to non-member countries between October and December 1987. Of a total of 1.7 million sacks of coffee, Brazil exported 604,600 sacks to those countries, or 34.5 percent of the total volume, followed by Indonesia (320,000 sacks), India (151,000 sacks), Costa Rica (134,000 sacks), Colombia (131,000 sacks) and the Organization of African Countries (OAMCAF), with 107,000 sacks.

06362/9738

#### CBMM Invests \$6 Million in Niobium Production 33420062b Sao Paulo GAZETA MERCANTIL in Portuguese 30 Jan-1 Feb 88 p 12

[Text] The Brazilian Mining and Metallurgy Company (CBMM), the largest producer and marketer of niobium (iron and oxide) mineral products in the world, is investing \$6 million to produce 40 tons of ingots per year destined for the foreign export niobium metal market, according to information given this newspaper by the company's director, Julio Cesar Gartner.

As a result of the problems with Brazil's creditor banks, the CBMM is having difficulties in negotiating a loan of \$2.5 million in order to import an electric furnace from the FRG to produce the metallic niobium.

The CBMM has already invested \$3.5 million in setting up the project in Araxa, Minas Gerais, and it will take from 18 to 20 months to set up the industrial complex.

As a result of the delay in importing the furnace, initial production of metallic niobium, which had been projected to start toward the end of 1988, may have to be delayed until the second half of 1990.

Worldwide demand for metallic niobium is estimated at 200 tons and current production is divided between the USA (150 tons) and Japan (50 tons). Brazil must compete with a high quality product that is used in the iron and steel and aeronautics industry. There is an increase in the world's demand for the metal in new uses in the optics and electronics industries.

The niobium being produced and marketed by the CBMM comes entirely from the exploration and production of pyrochlore from the mineral reserves of Araxa. Its 460 million ton mineral reserve represents, according to Gartner, the largest deposit of pyrochlore (niobium) in the world.

Mining is done in an open pit down to a depth of 200 meters where the CBMM works a deposit containing 2.5 percent niobium pentoxide.

The Brazilian company, which is controlled by the Moreira Salles group, produced 12,000 tons last year of niobium iron and 1,200 tons of niobium oxide. According to the CBMM director, the firm exported 9,300 tons of niobium iron and 1,000 tons of niobium oxide worth \$76.7 million.

Sales in the domestic market last year were 1,027 tons of niobium iron, 50 percent of which was consumed by three large iron and steel firms (Usiminas, Cosipa and the National Iron and Steel Company) and the rest by other industries. The company's sales grew by one percent between 1986 and 1987, reaching \$78 million.

Market demand for niobium minerals is stable, said the CBMM director. Europe consumes 42 percent. The FRG is the main consumer followed by Italy. North America consumes 32 percent, with the USA, Canada and Mexico being the leading consumers. The remaining consumption is in Asia with Japan alone consuming 15 percent.

The price of niobium iron (FOB) is quoted at \$11.50 per kilo and niobium oxide at \$14.00 per kilogram.

### CFP Forecasts Total Grain Production Under 52.6 Million Tons

33420062c Sao Paulo GAZETA MERCANTIL  
in Portuguese 4 Feb 88 p 18

[Article by Ivanir Jose Bortot]

[Text] The second cereal and oil-seed harvest estimate made by the Production Financing Commission, to be published next week, will show total grain production at less than the 52.6 million tons that was expected.

Lack of rain in the states of Minas Gerais, Goias, Espirito Santo and Rio de Janeiro and the month-long drought in the Missoes region of Rio Grande do Sul should result in a smaller harvest than the previous one. As a result, corn and soybean production should be less than what the government had been expecting.

The first estimate in December, made during the planting season, forecast a 52.6 million ton harvest; a 2 percent reduction over the 1986/87 harvest.

The survey made by the CFP during the second half of January is, from the study's point of view, more reliable since the plants' development is already known. The harvest may be more precisely estimated as a function of objective functions. "The previous harvest did not suffer any lack of rain. Notwithstanding an expected good yield in the Northeast, it would be difficult for us to speak of a repeat of the production level," said a government technician.

Nevertheless, while the numbers are being processed by the CFP computer, there is yet no expectation that the Brazilian harvest will be greater than the record 64.07 million tons harvested in 1986/87.

It would be difficult for the northeast's contribution to Brazilian production to exceed 5 million tons. Technicians conducted a comparative production exercise for the Northeast for the past 5 years. They found out that the average extraordinary harvest production was 4 million tons if the bean, rice, cotton and corn harvests were included. During periods of drought, the average harvest was 2 million tons.

### Warehousing

The government is going to set up a strategy for warehousing and marketing this year's grain harvest. To this end, representatives of several organizations (such as Cibrazem, CFP, Cobal, BNCC, the Bank of Brazil and the Transportation Ministry) met yesterday at the Agriculture Ministry under the chairmanship of the National Supply Secretariat. The idea is to have interaction among the different organizations in a joint organizing effort of the nation's [grain] supplies, reported the EBN agency.

**Nationwide Unemployment Down in December**  
*33420058c Sao Paulo O ESTADO DE SAO PAULO*  
*in Portuguese 5 Feb 88 p 24*

[Text] Brazil's unemployment rate stood at 2.86 percent in December 1987, a decline from November (3.63 percent), according to the IBGE [Brazilian Institute of Geography and Statistics] findings for the six principal metropolitan regions: Recife, Salvador, Belo Horizonte, Rio de Janeiro, Sao Paulo and Porto Alegre. The number of unemployed declined from 590,340 in November to 462,092 in December, for an economically active population of 16.14 million.

The unemployment rate declined from November to December in Recife (from 5.22 percent to 4.18 percent), in Belo Horizonte (from 3.68 percent to 3.27 percent), in Rio de Janeiro (from 3.07 percent to 2.29 percent), in Sao Paulo (from 3.78 percent to 2.81 percent) and in Porto Alegre (from 3.35 percent to 2.98 percent). Unemployment rose only in Salvador, from 3.90 percent in November to 4.07 percent in December.

From November to December 1987, all sectors of activity showed increased employment. In the manufacturing

industry, the unemployment rate declined from 4.68 percent to 3.28 percent; in the civil construction sector, the rate dropped from 3.95 percent to 3.08 percent. In trade, unemployment declined from 3.71 percent in November to 3.02 percent in December and in the service sector the drop was from 2.82 percent to 2.23 percent.

Another indicator mentioned by the IBGE to demonstrate the absorption of more workers in various activities in December was the fact that the average percentage of individuals employed but not receiving any wage or receiving less than the national wage floor declined from 16.06 percent in November to 12.48 percent in December. This occurred in all six metropolitan regions: Recife (from 30.66 percent to 24.37 percent); Salvador (from 24.96 percent to 19.07 percent); Belo Horizonte (from 23.29 percent to 18.46 percent); Rio de Janeiro (from 16.94 percent to 13.08 percent); Sao Paulo (from 11.01 percent to 8.40 percent); and Porto Alegre (from 14.83 percent to 12.16 percent).

06362/9738

**Political, Economic Leaders View Impact of  
Contra Aid Vote**

32480075 San Jose RUMBO in Spanish 23 Feb 88 p 34

[Article by Nelson Murillo]

[Text] Is it possible that the United States Government will reduce its economic support for Costa Rica and the nations of this area as a consequence of Congress' rejection on 3 February of its effort to send \$36.2 million in aid to the anti-Sandinists?

Various professional, political, and economic sectors are confident that this political failure by Ronald Reagan (which may be due in part to President Oscar Arias' peace plan) will not have a major impact on the ability to obtain monetary cooperation.

Nevertheless, others are still worried about the fact that 4 days before the Democrats in Congress defeated the American leader in his effort to allocate new funds to the Contras, the State Department revealed that budgetary problems would force a \$52.4 million cut in aid to Costa Rica.

Thus, we will receive only \$90 million instead of the \$142.4 million approved in 1987.

This development did not erode the confidence of the national groups that trust the United States to be benevolent with small and poor nations such as ours, whose economies depend on external resources.

Dr Eduardo Lizano Fait, president of the Central Bank: "I don't believe the foreign cooperation of the United States responds to reprisals; if there have been cuts in the funds they give us, it is because of the policies that are being applied.

"In the past 2 years, the Agency for International Development has granted \$85 million, and this situation remains the same, although they used to give us more. We don't know anything about new cuts yet; we'll have to see . . ."

Jorge Woodbridge, president of the Chamber of Industries: "The American economy has a trade deficit of \$170 billion, and for that reason it is forced to make adjustments in the funds it allocates to other countries.

"What is happening is that the order of priorities is being changed; instead of making cuts in the United States, they are making them elsewhere. I don't think this is due to a situation of political reprisal, and consequently we must seek new economic policies that ensure our independence."

Luis Manuel Chacon, deputy for the Social Christian Unity Party (PUSC): "I don't believe the rejection of aid to the Nicaraguan rebels has entered the United States' thinking. I believe that country considers each case separately."

Javier Solis, leftist deputy: "It seems to me that it will be very easy to make new cuts, because the American administration has legal instruments at its disposal. As the national security adviser already announced, there will be substantial cuts in aid to the administration of President Oscar Arias. I think that from now on these cuts will be forthcoming . . ."

Samuel Hidalgo, businessman and former president of the Chamber of Commerce: "Because the United States is essentially a democratic country, it must accept differences of opinion. If the Costa Rican Government opposes the anti-Sandinists, President Ronald Reagan would not be upholding that democratic principle if he were to deliberately cut aid to Costa Rica. I trust they will be sensible."

Fernando Volio, president of the Legislative Assembly: "I don't know, I can't predict the decisions of the United States Congress, which decides on foreign aid. So I don't know."

Dr Federico Vargas, executive director of the Costa Rican Development Coalition (CINDE): "I don't believe they will cut our aid, because it is already approved for 1988. Moreover, it would not suit the United States' interests in the region. We must also realize that President Reagan gets along well with Costa Rica, and really it is up to Congress to decide."

Victor Emilio Herrera, president of the Union of Chambers: "Costa Rica has adopted a very delicate position of pressuring the U.S. Congress, but the United States cooperates a great deal with Latin American nations.

"I hope that in the economic area there is no reduction of what Costa Rica receives; I don't think it will come to that."

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**Central Bank Communique on New Policies,  
Procedures**

32480076b San Jose LA NACION in Spanish  
11 Feb 88 p 13A

[Text] Because of the current situation of the national financial system and based on the provisions of the Organic Law of the Central Bank of Costa Rica and the Organic Law of the National Banking System, the Central Bank of Costa Rica has taken the following measures:

1. To authorize private banks to use their surpluses to acquire bonds from other private banks on the primary market.

2. To permit the resources in the fund that private banks that are members of the Costa Rican Banking Association maintain in Central Bank—now 180 million colones—to be used to acquire not only bonds of the government, Central Bank, and the state banks but also bonds of the private banks themselves.

3. To temporarily lower from 10 percent to 6 percent the minimum required reserves applicable to the funds that private banks, financial investment companies, and special credit companies attract. These resources, approximately 230 million colones, must be allocated exclusively for the acquisition, on the primary or secondary market, of bonds issued by private banks and private financial companies duly registered at the General Bank Auditor's Office.

4. To temporarily lower from 10 percent to 6 percent the minimum required reserves applicable to the funds that the financial sections of the state banks attract for more than 180 days. The state banks will use these resources, approximately 900 million colones, to establish a financial recovery program. These funds must be used exclusively for the following objectives:

a) Granting loans to private enterprises:

i. To pay off their credit balances with private banks and financial companies duly registered at the General Bank Auditor's Office;

ii. To pay bonds issued by them and registered on the National Stock Market.

b) Acquiring, through state bank positions on the National Stock Market, bonds of enterprises duly registered on the National Stock Market, whether on the primary or secondary market.

The Executive Presidency of the Central Bank has submitted the following initiatives for the consideration of the Executive Board:

1. To establish a special contingency fund for financial support for private banks, with the consent of the General Bank Auditor's Office, when there are problems of liquidity.

2. To expedite studies to establish, as soon as possible, a system of guarantees for small savers.

Central Bank is very pleased by the decision of the National Stock Market to establish a liquidity fund. This will be built up with contributions from enterprises whose bonds are traded on the market. The resources of this fund will be maintained in the Central Bank and be readily available.

To avoid any misinterpretation, Central Bank wants to repeat the following clearly and firmly:

i. The economic development of the country cannot advance without a modern and efficient financial sector.

ii. This sector will consist of public and private entities. The two must coexist for the good of the country.

iii. Central Bank will continue its program to strengthen all the entities in the financial sector, seeking maximum security for savers, proper liquidity of the system, and efficiency in the process of financial intermediation.

iv. Therefore, Central Bank will not hesitate to apply the necessary measures to carry out the above under existing legal provisions.

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#### **Debate Between Solidarism, Labor Groups Escalates**

**International Labor Group Criticizes Solidarism**  
*32480081 San Jose LA NACION in Spanish*  
*3 Feb 88 p 13A*

[Text] The International Conference of Free Trade Union Organizations (ICFTUO), at a meeting with President Oscar Arias yesterday, criticized limitations on trade union freedom in the country, claiming that these limitations are sometimes serious.

ICFTUO Assistant Secretary General Enzo Frizo told the leader that in our country there are laws that "are in conflict" with some pacts signed with the International Labor Organization (ILO) and the Political Constitution.

The ICFTUO, he said, has 100 million affiliates throughout the world, including 85 million in the United States. Local affiliates are the Costa Rican Confederation of Democratic Workers (CCTD), the Authentic Confederation of Democratic Workers (CATD), and the National Central Organization of Workers (CNT).

Through the efforts of national entities, the ICFTUO has complained to the ILO about various situations that have occurred in the nation, with which they do not agree.

Frizo stated that some legislation violates the workers' freedom of association and their rights to strike and collective bargaining.

He called the solidarist movement a "threat" to trade union freedom, and expressed the opinion that this movement does not defend the interests of the worker, since it is dependent on business.



In this regard, Labor Minister Edwin Leon responded that the government backs the operation of both systems, the solidarist one and the trade unions, because they work for the benefit of labor.

The ICFTUO leader admitted that the trade union movement "is going through a crisis" in the world. This is due to the high rate of unemployment, which makes the worker fear the loss of his job, he declared.

For his part, Minister Leon stated that instead of fighting for wage demands, the unions should change their strategy and fight for other demands, such as housing and credit.

### **Unions Accused of Disinformation Campaign**

32480081 San Jose LA NACION in Spanish  
9 Feb 88 p 14A

[Editorial]

[Text] For several years now, some Costa Rican labor leaders have dedicated themselves to the disagreeable task of maligning national democratic institutions and our rule of law, concluding that there is no trade union freedom or that repression is taking place in the government or in private industry.

This is, with different nuances, the same stigma attached to Costa Rica by international communism and its homegrown acolytes, denouncing the incarceration of political prisoners here or the violation of human rights. Then they grab the megaphones of extremist propaganda to sully our civic credentials and thereby minimize the shocking violations of public liberties in the communist countries.

In the political sphere, we already saw the effects of this well-orchestrated campaign in January of this year when the International Commission of Verification and Follow-up (CIVS), made up of the Contadora Group and the Support Group, along with the secretaries general of the UN and the OAS, submitted a report critical of Costa Rica at the meeting in Panama. The report was rebutted with ample arguments by our foreign minister, who managed to obtain a public acknowledgment of our democratic ways.

As for the trade union movement, the echoes of the false accusations by some Costa Rican labor leaders have reached the International Labor Organization (ILO), where Costa Rica has on many occasions been placed in the prisoner's dock.

Domestically, we have witnessed this disinformation effort repeatedly, especially when the banana workers decided freely to take the path of solidarism instead of the confrontational and violent path of trade unionism advocated by some leaders. Many of these leaders have systematically opposed the principles of democracy and adhere to the Marxist-Leninist ideology.

On these occasions, the propaganda has exceeded the bounds of reason, and they have turned to the Legislative Assembly and have banged on the doors of the Labor Ministry. Despite the clear and well-founded resolutions issued by that ministry regarding the reason and legality that underlie solidarism, the attacks have persisted.

As a result of this campaign, last week the assistant secretary general of the International Conference of Free Trade Union Organizations (ICFTUO) arrived in Costa Rica. He visited the president of the republic and arrogantly brought up the stale issue of union persecution in Costa Rica. President Arias destroyed one by one the frail arguments of the trade union delegate, who kept repeating his vain refrain of union repression, even in the halls of the presidential mansion.

Two aspects of this harmful intervention by international labor leaders should be noted: the disinformation they have succumbed to, and the fear that overtakes them as they see how other labor organizations that are more effective and more respectful of public liberties may replace them, and thus reduce their privileges and their power. Because unfortunately, this is what no small number of trade unions in Latin America have turned into: powerful pressure groups, firmly rooted in privilege and more interested in maintaining the status quo than in looking after the real interests of the workers.

We hope that the Costa Rican union officials who have devoted themselves to the sad task of denouncing our country abroad will learn the lesson that the president of the republic has given them through one of their foreign benefactors.

### **Unions Defend Call for Greater Rights**

32480081 San Jose LA NACION in Spanish  
14 Feb 88 p 29A

[Text] There can be no democratic system without free trade unions, because these organizations are by nature best suited to represent the workers in establishing a balance between the interests of employees and employers, and in ensuring the fair distribution of the fruits of their joint effort.

This purpose is consecrated in the Constitution, which recognizes the right of workers to organize in unions, to negotiate their working conditions, to defend their economic interests by striking, etc. Because this is how social equilibrium, the well-being of the majority, and the stability of political democracy are guaranteed.

Those who struggle to eliminate the unions or to replace them with organizations that represent management's interests are consciously or unconsciously fighting for the disruption of that equilibrium, and certainly for the end of social peace.

This anti-union and anti-democratic trend is maintained constantly by the most conservative sectors in Costa Rica through liberal government policies, repressive measures, and inaccurate press information.

#### International Labor Image

In the newspaper LA NACION on the 9th of this month, the editorialist in charge of that day's editorial flaunted some very peculiar language, asserting that "for several years now, some Costa Rican labor leaders have dedicated themselves to the disagreeable task of maligning national democratic institutions and our rule of law, concluding that there is no trade union freedom or that repression is taking place in the government and not in private industry."

The editorialist is unaware that the democratic labor organizations of the world know about and disapprove of the restrictions maintained by public and private enterprises against the Costa Rican workers' rights. We cite this example:

At the 73rd Meeting of the International Conference of Labor of the ILO, held in Geneva late last year, the conference chastised the Costa Rican Government for the restrictions placed on the activity of union leaders in the workplace (plantations) and on the recourse of the strike to defend labor rights. It took this action on the basis of a study conducted by its Commission of Experts, a worldwide agency of the highest technical level. The study stated, "The Commission trusts that in the near future there will be news of progress in the modification of legislation restricting strikes." This has not been done, and it does not appear to be about to happen.

On the same occasion, the ILO Commission reiterated its appeal to the Costa Rican Government to enact the necessary legal reforms to eliminate restrictions on the right to collective bargaining and free unionization, in compliance with ILO Agreement No. 98, which was ratified by our country in 1960 but is not being enforced 28 years later. At the end of 1985, the ILO received the 241st Report of its Committee on Trade Union Freedom regarding a complaint registered by the World Conference of Teaching Professionals over the criminal charges filed against teachers' leaders accused of committing the crime of going out on strike, which is a constitutional right.

The International Conference of Free Trade Union Organizations (ICFTUO), a worldwide entity that is clearly democratic in nature and represents 100 million workers on all continents, including the vast majority of U.S. workers, has circulated among all its affiliated organizations a document expressing its concern over the limitations imposed on labor rights in Costa Rica, especially with reference to the rights of unionization, collective bargaining, and striking.

According to the simplistic maxim professed by the LA NACION editorialist that "anyone who is not with me is against me," now the United Nations, the International Labor Organization, the International Conference of Free Trade Union Organizations, and all those respectable world authorities who have expressed their shock at the plight of Costa Rican workers, are communists engaged in a smear campaign against the rule of law in Costa Rica.

#### Limitations on Labor Rights

But is it reasonable for those who justify in this manner the failure to recognize the rights of the majority to speak in the name of the rule of law? Can these gentlemen hide the unfortunate situation of our workers? Let's look at some of the limitations that have been alluded to:

Article 60 of the Constitution expressly consecrates the right to unionization. Moreover, Costa Rica has ratified numerous ILO agreements, including No. 87 on trade union freedom and the protection of the right to unionize, No. 98 on the right to unionization and collective bargaining, No. 135 on the protection of union representatives in the workplace, etc. And even though international pacts have a "force superior to laws," they are not enforced.

Employers, primarily in the private sector, can easily destroy or annul workers' attempts to form unions to represent them, merely by paying benefits and firing the leaders, because there is no legal protection under Article 29 of the Labor Code. This explains why only 5 percent of workers in private industry have managed to unionize, at the cost of great effort and at serious risk to their job security.

As for the right to strike, even though the Constitution recognizes it as a legitimate recourse of workers to defend their economic rights, no one can seriously contend that it really exists. Of the 258 strikes recorded between 1970 and 1981, only one was declared legal, and even it was repressed under Article 334 of the Penal Code.

The workers' right to engage in collective bargaining to improve their working conditions has also been almost completely nullified. In private industry, there is nothing to prevent management from firing the leaders or negotiators, and no one can demand that the agreement be honored through the extreme recourse of striking. In public enterprises, due to the interpretation of the General Law of Public Administration, the Law on the Creation of Budget Authority, and the Law for Financial Equilibrium, the administration has been able to deny any possibility of collective bargaining over working conditions. Furthermore, for this purpose the government considers many private for-profit entities to be public enterprises, as is the case with livestock, agriculture, forestry, and rail, sea and air transport, etc.

Moreover, the complete disappearance of trade unions, collective bargaining, and the right to strike is the essential goal of the draft Labor Code that has been prepared by the Labor Ministry. In contrast to the foregoing, private employers and many government officials have devoted themselves to promoting the so-called solidarist associations, which are controlled by management but nonetheless pass themselves off as representatives of the workers. These associations have typically shunned collective bargaining, and have followed management's suggestions by promoting direct arrangements, excluding the unions.

If the majority of employers are normally reluctant to comply with collective bargaining agreements, they will certainly not adhere to the so-called direct arrangements, because there is no labor organization to enforce them. An official of the John XXIII Social School, after 2 years of organizing solidarist associations in the Atlantic banana-growing region, expressed his disappointment in his letter of resignation. He reported that the aforementioned school had persuaded the workers to accept direct arrangements and had claimed to be a guarantor of compliance, but a year later the arrangements were violated without any association, school, or anyone else defending the rights of the cheated workers.

Remember that when the banana workers accepted the direct arrangements, many newspapers hailed them as a democratic procedure that could solve labor-management conflicts. Those newspapers are now hushing up the deceit to which many of them fell victim. But this fact proves the real objective of the solidarist associations and the direct arrangements.

The above means that the workers are ending up without any legitimate representation in their contractual relations, and this is the prelude to unrest and the rupture of the social equilibrium. It is also the harbinger of class conflicts and the end of social peace.

#### Visit of International Labor Leaders

On 2 February a high-level international trade union delegation met with President Oscar Arias, Labor Minister Edwin Leon, and Presidential Adviser Carlos Vargas in the presidential mansion.

The delegation was made up of Mr Enzo Frizo, assistant secretary general of the International Conference of Free Trade Union Organizations (ICFTUO), which, as we said, represents 100 million democratic workers in the world; Mr Luis Anderson, secretary general of the Inter-American Regional Organization of Workers (ORIT), which represents the majority of democratic workers in the Americas; Mr William Doherty, executive director of the American Institute for the Development of Free Trade Unionism, who was representing the American

labor organization AFL-CIO; and Mr Rick Jackson, secretary of international relations of the Congress of Workers, which represents the vast majority of Canadian workers.

In other words, this was a union delegation of the highest international level that unquestionably represented the free and democratic labor movement of the entire world. The meeting, moreover, was also of the highest level, a very frank but very cordial encounter. The visitors expressed in a very meaningful way their recognition of President Arias' efforts for peace and congratulated him on winning the Nobel Prize. In addition, although this was not the main reason for their visit, they expressed their concern about the limitations imposed on labor rights and the content of the draft Labor Code.

Both the observations of the visitors and the response by President Arias, to the effect that he would personally look into the problems raised, were stated with the utmost respect, as befits the ranks of those present and the representativeness of the foreign labor leaders and the national political leaders.

This situation is reflected in the letter that was sent last week by ICFTUO Secretary General John Vanderveken to President Arias. It states: "Mr Enzo Frizo, assistant secretary general, has informed me of the very fruitful meeting the ICFTUO mission held with you on 2 February."

It adds: "I welcome your approval of the request to the ILO that it lend its experience in the formulation of a new labor law in Costa Rica, which would harmonize the labor legislation with the relevant agreements of the ILO."

And the letter concludes: "I am sure that Costa Rica's longstanding and current commitment to liberty and democracy, combined with your personal commitment, will undoubtedly allow the trade union movement to overcome the present legal difficulties."

Anyone who claims that the meeting was a heated exchange of insults is only showing his lack of dignity, something which the people at the meeting clearly had. Those who try to tar foreign labor leaders with that brush are also revealing their desire to malign trade union organizations, regardless of the fact that these are the most representative organizations of democratic workers in the entire world.

Luis Armando Gutierrez, Secretary General of the Costa Rican Confederation of Democratic Workers (CCTD)

Gilbert Brown Young, Secretary General of the National Central Organization of Workers (CNT)

Prof Jose J. Melendez, Secretary General of the Authentic Confederation of Democratic Workers (CATD)

Responsible signature: Candelario Ruiz Aleman I.D. No. 2-371-065

**Solidarist Union Defends Labor Policy**

32480081 San Jose LA NACION in Spanish  
11 Feb 88 p 25A

[Text] Out of respect for the workers, and in response to accusations by union leaders who blame solidarism for the failure of their movement, we hereby

Declare:

1. Solidarism has been proposed as an alternative for social organization, guaranteed as part of the overall rights and liberties that citizens should enjoy in a democracy.

2. The success of solidarism is that by recognizing the interdependent relationship between labor and management, we have created a climate that favors productivity, cooperation, dialogue, and the dignity of labor relations, all of which has contributed to social stability and the solution of conflicts in a just and peaceful manner.

3. We regret that some people who have dubbed themselves "the leaders of the workers" are using and manipulating the Trade Union Movement, placing it at the service of interests that are contrary to democracy and alien to the workers' needs and aspirations, and are irresponsibly aggravating the social and economic problems of the country.

4. The cold is not in the blankets. Solidarism is developing and growing because the workers are finding solutions for their organization. In other words, we are concerned about the workers' problems.

While many labor leaders fight for leadership and demand greater political control, we solidarists strive to give the workers healthy and stable employment, to help them solve their housing problems, and to ensure that they can deal with the vicissitudes of our beleaguered economy in a dignified and optimistic way.

5. We protest the insult and offense against our fatherland perpetrated by foreign leader Enzo Frizo, assistant secretary general of the International Conference of Free Trade Union Organizations (ICFTUO), when he accused our country of persecuting unions. One hundred forty thousand solidarists cannot be deceived.

6. We congratulate and thank the president of the republic, the minister of labor, the mass media, and all Costa Ricans who have faith in our democracy and nobly defend a genuine social conquest that makes all of us proud.

Costa Rican Solidarist Union

Responsible signature: Rodrigo Jimenez Vega I.D. No. 1-382-692

08926

**Arias Promises 500 Million Colones to Flood-Damaged Areas**

32480076a San Jose LA NACION in Spanish  
11 Feb 88 p 4A

[Article by Armando Mayorga, LA NACION correspondent]

[Text] Limon—After again touring the main areas in this province affected by the floods, President Oscar Arias Sanchez promised yesterday to expedite help for those with damages and "not procrastinate about this problem."

The president and some of the members of his cabinet announced that 500 million colones would be allocated to meet the priority needs of those affected. Also bank loans would be renegotiated for farmers who lost their crops.

Arias and several ministers used the presidential airplane to visit Siquirres, Sixaola, and downtown Limon. Here, as in other areas in the region, the rains at the end of January caused three deaths, serious damage to housing, highways, and fields, and the relocation of some 4,700 people to safer places.

About 300 kilometers of roads were damaged, according to the head of the MOPT [Ministry of Public Works and Transport], Eng Guillermo Constenla. He estimated that it would cost at least 200 million colones to repair the roads, bridges, and dams.

In some areas, the banana, corn, cacao, and bean crops were completely destroyed. The minister of agriculture and livestock, Antonio Alvarez, stated that once damages are determined, they will seek renegotiation of the farmers' loans and will fight to obtain credit for them.

**Commitment**

According to Arias Sanchez, the objective of his trip to Limon was "to make the commitment to try this time to confront the tragedy with greater effectiveness." He admitted that they did not perform satisfactorily during the disasters in Cartago some months ago.

Again urging national solidarity for those with damages, the president said that he "applauds" the campaign undertaken by LA NACION but warned that more resources are needed. Therefore, he appealed to the banana companies to participate.

He announced that the following are contributing to help solve the problems: the National Emergency Commission, 40 million colones; JAPDEVA [Port Administration Board for the Economic Development of the Atlantic Coast], 100 million colones; the Social Protection Council, 100 million colones from the instant lottery; and the Housing Bank, 55 million colones. Also the next special budget will include an allocation of 200 million colones.

Eng Constenla stated that it will take at least a year to repair all the damages, so he asked for patience. Arias stated that attention to housing problems should be given priority. Minister of Housing Fernando Zumbado appealed for caution with resources "so that no resident is left out."

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**1987 Economic Performance Reviewed**  
32480080 Santo Domingo LISTIN DIARIO  
in Spanish 6 Feb 88 p 8-D

[The figures in this report are preliminary estimates based on a variety of information printed in the press, and on the Economy and Development Fund's own estimates]

[Text]

**I. Gross Domestic Product**

In 1987 the Dominican economy grew at an extraordinary 9.0 percent, the highest rate in Latin America and probably in the world. This substantial economic reactivation was stimulated by the vast program of public investments that the central government is carrying out. In addition, the most dynamic export sectors, tourism, and free zones contributed as well to this growth in economic activity.

Let's look at the results of each sector throughout the year:

**Agriculture-Livestock**

In 1987 the agriculture-livestock sector grew at a rate of about 5.0 percent with respect to 1986. Within the agriculture-livestock sector, the principal subsector was agriculture, which expanded by 7.0 percent.

This improvement in agriculture was due primarily to the new authorities' emphasis on activities such as the production of rice, sugarcane, coffee, and crude tobacco. All of this is the consequence of a major injection of financial resources into these areas, as well as a substantial increase in technical assistance to farmers.

**Mining**

The mining sector grew by 16.0 percent in 1987 over 1986. This fact was the result of the boost in the production of ferronickel in response to the higher price this product has fetched on international markets.

Another factor that contributed to the recovery of this sector was the sale of gold abroad. Although the volume of these sales was lower than in 1986, the better price of this metal on the international markets more than offset the reduction in the quantity exported.

**Manufacturing**

This sector posted a growth rate of 12.0 percent in 1987 with respect to 1986, despite the high price of the dollar on the local market. The rapid growth of the manufacturing sector was rooted in the substantial expansion of aggregate demand, stimulated by the program of public investment. Many industrial plants that had operated with idle capacity in the past were practically at full capacity in 1987.

**Construction**

This has been the most outstanding sector in the expansion of the GDP in 1987, with a growth rate of approximately 45.0 percent.

This major boom in construction is due to the massive public works plan launched by the new authorities when they took office in August 1986. Throughout the country, streets, highways, housing, local roads, schools, hospitals, irrigation canals, dams, and countless other infrastructure works are being constructed or reconstructed.

The private sector, on the other hand, has not been left behind. It has joined the government's construction efforts, erecting numerous residential and commercial buildings and hotels and tourist complexes.

**Commerce**

The commerce sector grew at a rate of 7.0 percent in 1987. This substantial growth in the commerce sector was also the result of the expansion of domestic demand, as reflected in high levels of consumption of both domestic and imported goods. Sales in this sector climbed substantially in real terms despite the high inflation rate and the devaluation of the Dominican peso in 1987.

**Transportation**

This sector improved by 8.0 percent between 1986 and 1987. The severe and prolonged crisis in public transportation (which has still not been overcome, even though the new administration has been in office for nearly a year and a half) prompted the private sector to increase its share in the transportation market. Thus, new fleets of minibuses and buses have been introduced.

**Communications**

The share of the communications sector rose to 52.0 million pesos in 1987, a 15.0-percent increase in 1987 over 1986. In the latter year, the aggregate value of this sector was 44.0 million pesos.

In this sector, telephone activity was the most dynamic, as more telephone exchanges were installed and service was expanded.

**Electricity**

The electricity sector posted a gain of 10.0 percent with respect to 1986. This situation is the result of higher energy consumption, particularly in the industrial and commercial sectors, as a consequence of the reactivation seen there throughout the year.

Energy consumption in the residential sector, however, declined in response to power shortages.

### Finance

The finance sector reported the fourth-highest growth rate in 1987, having attained an increase of 15.0 percent over the previous year. The rise in this sector is due to the boom in financial institutions, represented by the opening of new commercial banks and the establishment of branch offices by existing banks.

### Housing Ownership

This sector rose by 2.0 percent in 1987 with respect to 1986.

### Government

The government sector was the only one whose aggregate value shrank in 1987. In fact, the reduction amounted to about 4.0 percent, due to the new administration's policy of getting rid of surplus and/or unnecessary personnel in government offices. This category includes only current spending by the central government.

## II. External Sector

### Exports

According to preliminary figures, in 1987 the Dominican Republic exported goods valued at \$720 million, similar to the 1986 total.

Despite official efforts to boost exports and the incentives provided for this activity, the export sector did not experience the expected upswing, partly because of the severe cutback in the sugar quota assigned to our country by the United States and partly because of the decline in the prices of some Dominican exports.

The price of coffee showed a downward trend, which had an impact on the Dominican economy's ability to obtain foreign exchange. The price of cacao beans did rise in 1987, however.

Tobacco showed gains in the volume of exports and in prices, the first due to the recovery of the Spanish market and the second due to the fact that local producers were able to take advantage of the price of this product abroad, as they managed to cut production costs.

As for minerals, given that gold mining has about run its course, the production of this metal declined. Income in foreign exchange did not shrink, however, because of the rise in both gold and silver prices on the international markets. Ferronickel is selling at a slightly lower price than in 1986, although the volume of exports was higher than in the previous year.

The category labeled "Other Products" yielded an estimated balance of \$145.0 million, \$7.0 million lower than the 1986 total. This is a significant reduction, since this sector, which includes the so-called nontraditional exports, is the one that reacts the most quickly to changes

in national exchange policy. In fact, the decline in the value of these exports is a reflection of the unrealistic exchange rate that was maintained by monetary authorities throughout 1987, particularly between June and the end of the year when exchange controls were imposed.

The above assertion is reaffirmed by the fact that the Central Bank took in only \$120 million in foreign exchange in 1987, compared to exports valued at \$146.0 million. Thus, the lag in the delivery of foreign exchange amounts to approximately \$26.0 million.

### Imports

The preliminary data reveal imports of \$1.56 billion for 1987, \$294 million higher than the 1986 level of \$1.266 billion.

Of total imports in 1987, \$412 million (26.41 percent) corresponds to petroleum and its derivatives; \$88 million (5.64 percent) to foodstuffs purchased abroad by the National Institute of Price Stabilization (INESPRE) and Dominican Mills; and the rest, \$1.060 billion (67.94 percent) corresponds to other imports.

As can be seen in these statistics, imports climbed 23.22 percent in 1987 with respect to 1986. This higher level of imports is the result of the extraordinary reactivation that the Dominican economy has undergone in the last 17 months.

The increase of \$294 million in imports in 1987 is broken down as follows: petroleum and its derivatives, \$152 million; foreign purchases of foodstuffs by the public sector, \$13 million; and other imports, \$129 million.

The magnitude of the "Other Imports" category, which includes industrial components as well as finished goods, reveals that the country has had to resort to the international markets to fuel the resurgence in sectors such as construction, industry, and commerce.

### Trade Deficit

The preceding figures reveal a balance of trade deficit on the order of \$840 million. This imbalance was financed by the considerable contributions made by the services sector. Among these services, tourism stands out in particular, having accounted for \$570 million in foreign exchange. Also noteworthy are remittances from Dominicans living abroad, estimated at about \$300 million for 1987. The Central Bank's reserves shrank by \$200 million in 1987, with approximately \$180 million of these losses resulting from the defense of the Exchange Control system.

### III. Monetary Sector

At the close of 1987, the money supply was estimated at about 3.1 billion pesos, 597 million pesos higher than the corresponding total for 31 December 1986. The 1987 figure is 24 percent higher than the 1986 figure.

The estimated average of the money in circulation in 1987 is approximately 2.7 billion pesos, and the liquidity ratio of the economy, measured as the ratio between the average amount of money in circulation and the GDP (at current prices) was 16.0 percent. This level was very similar in 1986, at 16.1 percent.

This significant monetary expansion is the result of the Central Bank and the Reserve Bank participating in the financing of the huge deficits run up by some public institutions, such as the State Sugar Council and the Agricultural Bank. In addition, as the Central Bank paid off the debt of the central government and the rest of the public sector without receiving the corresponding pesos, the net credit extended by the Central Bank to the public sector rose, and this consequently expanded the money supply.

### IV. Public Sector

The overall deficit of the consolidated public sector amounted to approximately 880 million pesos in 1987, equivalent to 4.6 percent of the GDP.

This deficit breaks down as follows: a surplus of 216 million pesos for the central government, and deficits of 210 million pesos for the State Sugar Council (CEA), 318 million for the Dominican Electricity Corporation (CDE), 33 million for INESPRE, 38 million for the Dominican Corporation of State Enterprises (CORDE), 95 million for the operating losses of the Central Bank, 50 million for the Agricultural Bank, and 350 million for

the consolidated public sector (including the central government), due to the payment of the foreign debt by the Central Bank without receiving the corresponding pesos from these state agencies.

As a consequence of the low level of net revenues from foreign resources in 1987, the bulk of the consolidated public sector deficit had to be financed with domestic resources provided by the Central Bank and the Reserve Bank. These resources are estimated at nearly 900 million pesos. Of this amount, most noteworthy are the 250 million pesos earmarked for the CEA for the sale of the Montellano lands, the 350 million pesos in foreign debt paid out without pesos on deposit, the 95 million pesos in operating losses of the Central Bank, and the 50 million pesos in losses of the Agricultural Bank.

The total income of the Central Bank exceeded 3.2 billion pesos, of which approximately 2.7 billion was tax revenues, yielding a tax burden of 14 percent. Fifty-five percent of the Central Bank's outlays were capital expenditures, and the rest was current expenditures.

### V. Inflation and Devaluation

The inflation rate estimated by the Economy and Development Foundation for 1987 is 35 percent. Nevertheless, other unofficial estimates place this rate much higher, at 40 to 50 percent.

The average exchange rate went from 2.90 pesos to the dollar in 1986 to 3.90 pesos to the dollar in 1987, which yields an average devaluation rate of 34 percent. Between December 1986 and December 1987, however, the exchange rate rose from 3.06 to the dollar to 5.00 to the dollar, making for a devaluation rate of more than 63 percent.

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**PRC Offers Technical Aid, Considers Joint Ventures**

32980153 Georgetown GUYANA CHRONICLE  
in English 18 Feb 88 pp 1, 4-5

[Article: "China Ready for Joint Ventures With Guyana Private Sector"]

[The People's Republic of China is willing to give technical assistance and become involved in joint ventures with private sector companies in Guyana.

This has been indicated by a ministerial-level Economic Delegation headed by China's Minister of the Textiles Industry Mrs. Wu Wenying, now visiting Guyana.

The visit of the delegation coincided with the commissioning of a Guyana/China expansion project at Sanata Textile Mill. But since Tuesday, Minister Wu and her team have been on a continuing visit to private sector entities, among other places.

During a visit to Lysons Knitwear Industries factory at Industrial Site, Ruimveldt on Tuesday, Mr Jainarine Singh, a director of the company confirmed that approaches have been made to his company by manufacturers in China with a view of setting up a joint venture.

He added that talks have been going on but no definite plan has yet been formulated.

Lysons Knitwear is currently under contract to "Plan 708" through which the company produces garments with pre-cut and other materials, to specifications from American companies.

And Mr Brent Gittens, a director of NCE Screen Printers Limited, explained that yesterday's visit by the Chinese delegation, was to discuss what help could be given to their group of companies by the Chinese Government.

He said NCE Screen Printers Limited needs machinery to produce on a larger and faster basis. Currently much of their production is done mostly by manual labour and the company wants to buy machinery from China, on a line of credit.

Minister Wu, after the tour of NCE commented that the products were of a commendable quality.

Later yesterday, accompanied by Minister of State in the Ministry of Planning and Development, Dr Faith Harding, the Chinese delegation visited the Vanceram Tableware Factory at Caledonia, on the East Bank Demerara.

There, after the Chinese were shown around, they also spoke with Cde Lorraine Paul, Marketing Manager of Vanceram, who has visited China, where she saw similar factories that are more advanced than Vanceram.

"There are still lots of things we need to perfect here and it will be good if China was to send a team of specialists to help train our people," Cde Paul said.

In between the visits to the private sector entities, the Chinese delegation paid courtesy calls on Prime Minister Hamilton Green and Vice-President, Education and Social Development, Viola Burnham on Tuesday, and on Deputy Prime Minister, Planning and Development, Haslyn Parris and Foreign Minister Rashleigh Jackson, yesterday.

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# **Salinas Seen Strengthening Ties to Traditional Party Sectors**

32480079 Mexico City PUNTO in Spanish  
25 Jan 88 p 13

[Article by Hernan Casares Camara]

[Excerpt] Carlos Salinas de Gortari is starting both to open some more doors to political participation and to close certain others for good, above all after his swing through the states of Guanajuato and Queretaro the week before last.

The intention of the PRI candidate has been clear since then and has now been reaffirmed in Aguascalientes and the Federal District. He intends to continue his rapprochement with the members of the traditional political class and even with those who sympathized with other potential presidential candidates in the process of succession.

In contrast, Salinas is denouncing with increasing frequency the followers of the Democratic Current that operated in PRI and, in particular, former PRI members Cuauhtemoc Cardenas and Porfirio Munoz Ledo, who now belong to PARM [Authentic Party of the Mexican Revolution].

In his swing through Aguascalientes, Salinas de Gortari took along politicians like Enrique Olivares Santana, Nazario Ortiz Garza and Luis Gomez Z. as his special guests. The three were important figures in the country's political life in days gone by.

In Aguascalientes, as in most of the states that he has visited, the PRI candidate invited former governors (one of them, Rodolfo Landeros, was also in Colima as a guest), deputies, senators and most leading state politicians, including those who have retired.

In a move that was described as one of reconciliation and opening, Salinas de Gortari brought with him to Aguascalientes Gustavo Carbajal Moreno and Alejandro Carrillo Castro, two of the men most closely identified with Alfredo del Mazo, the other finalist in the presidential succession.

Until then supporters of the secretary of energy, mines and parastate industry had not been seen on Salinas' tour. In contrast, the wife of Manuel Bartlett, the interior secretary, has accompanied Carlos Salinas and his family at least twice, as has one of the sons of [Mexico City] Mayor Ramon Aguirre.

Making an appearance in Aguascalientes was Hector Hugo Olivares Ventura; he and his father, Olivares Santana, are natives of San Luis de Letras. Also present were Francisco Guel, Benito Palomino, Refugio Esparza Reyes, Augusto Gomez Villanueva, Manuel Diaz

Infante, Fernando Hernandez Valenzuela and Senators Andres Valdivia and Roberto Casillas, among others. The latter, who was Lopez-Portillo's personal secretary during the final part of his 6-year term, has more interests in Campeche than in his home state. There and in Yucatan, Casillas owns several former henequen plantations, stores and apartment buildings.

The presence of Carbajal Moreno and Carrillo Castro on the trip through Aguascalientes caused expectation. Carbajal, the PRI president during the Lopez-Portillo regime, was known to have been in charge of promoting Del Mazo politically in the period prior to Salinas' unveiling. Carrillo Castro, for his part, was one of the Del Mazo supporters who was hit the hardest in the struggle for the succession.

Shortly before boarding the candidate's private plane, Carbajal hailed the fact that more political spaces are being opened in the campaign and that an effort at a rapprochement with all party activists is being made.

Carrillo Castro acknowledged that he and Salinas are friends and that having supported Del Mazo "did not and does not mean being an opponent of someone else."

To Salinas de Gortari, the opponents are "those who left the party criticizing today what they so vigorously practiced and promoted yesterday."

In an obvious allusion to Porfirio Munoz Ledo and Cuauhtemoc Cardenas, Salinas said on Monday the 18th in Calvillo, Aguascalientes that "we must make it known that he who has left will not be welcomed back; and he will not be," he added, "because how could we face those who have remained in the party."

This was at least the fourth time that the candidate alluded to Munoz Ledo and Cardenas in less than 6 days. In Guanajuato and Queretaro Salinas called the two former members of PRI "populist politicians" and recalled that both, but particularly Munoz Ledo, are now proclaiming the opposite of what they did while the one was national leader of PRI and the other was governor of Michoacan.

Lately the PRI candidate has focused criticism of his opponents on Cuauhtemoc Cardenas and his followers in the Democratic Current. The clashes with Clouthier have diminished and are practically nonexistent with the candidate of the Mexican Socialist Party, Heberto Castillo. It would seem that Salinas does not regard Castillo as a dangerous opponent or one who deserves to be discredited and attacked like the standard-bearers of the National Action Party and of the Authentic Party of the Mexican Revolution-Popular Socialist Party-Party of the Cardenist Front for National Reconstruction.

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